

CITY OF FLAT ROCK, MICHIGAN

ANNUAL REPORT

June 30, 2008

CITY OF FLAT ROCK, MICHIGAN
ANNUAL REPORT
TABLE OF CONTENTS
June 30, 2008

	<u>Page</u>
Independent Auditor's Report	1
Management Discussion and Analysis	2-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Funds.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Proprietary Fund:	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows.....	17
Fiduciary Funds:	
Statement of Fiduciary Net Assets	18
Notes to Financial Statements	19-34
Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	35-44
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tax Increment Finance Authority	45
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Downtown Development Authority	46

CITY OF FLAT ROCK, MICHIGAN
ANNUAL REPORT
TABLE OF CONTENTS
June 30, 2008

	<u>Page</u>
Supplementary Information:	
Non-major Governmental Funds:	
Combining Balance Sheet – Non-major Governmental Funds	47
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	48
Combining Balance Sheet – Non-major Governmental Funds – Special Revenue Funds	49
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Special Revenue Funds	50
Combining Balance Sheet – Non-major Governmental Funds – Debt Service Funds	51
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Debt Service Funds	52
Combining Balance Sheet – Non-major Governmental Funds – Capital Project Funds	53
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Capital Project Funds	54
Other Supplementary Information:	
Repayment Schedules of Long-Term Debt	55-63
Tax Levies in Millage – Last Twenty Four Years	64
Water and Sewer Rates – Last Twenty Four Years	65

Jocks & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

3630 West Road
Trenton, MI 48183

Phone 734/675-0266
Fax 734/675-3359

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flat Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a text basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 35 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flat Rock, basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



December 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Flat Rock's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets decreased by \$153,197 (or 0.7%). The governmental net assets decreased by \$520,726 (or 3.5%) and the business-type net assets increased by \$367,529 (or 4.9%).
- Of the \$22,136,780 reported in net assets, \$19,287,137 is the investment in capital assets net of related debt, \$242,149 is reserved for debt service and capital projects and \$2,607,494 may be used to meet the ongoing obligations to citizens and creditors.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,438,812 a decrease of \$112,394 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund decreased \$1,154,339 to a final balance of \$888,051. The decrease was, in part, due to an operating transfer of \$890,000 to the recreation center operating fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the City's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the City, as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the City's financial position is improving or deteriorating. However, in order to assess the overall health of the City, non-financial factors such as the City's property tax base and condition of the City's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the City's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report two activities:

1. *Governmental Activities:* Most of the City's basic services (i.e., police, fire, public works, parks, etc) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The City's governmental activities include general government, police, fire, building and safety, public works, recreation and culture, library, community enrichment and development, road maintenance and repair and tax refund.
2. *Business-type Activities:* The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City operates one business-type activity that reflects private sector type operations: Water and Sewer service.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the City's most significant funds (Major Funds), not the city as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the City presents individual fund data for non-major funds in the supplementary information section. All of the funds of the City can be divided in three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and use of available resources. This is the manner in which the budget is typically developed. The City establishes Funds for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the General Fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the City's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary funds are used to account for services provided by the City where the City charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer service.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not reflected in the government-wide financial statements. The City acts as a trustee or fiduciary for its employee deferred compensation plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These funds are reported using accrual accounting.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

NON-MAJOR GOVERNMENTAL FUNDS

Following the required supplementary information is combining financial statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$22,136,780. However, 87% of the City's net assets represent its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FLAT ROCK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CITY OF FLAT ROCK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$ 3,970,539	\$ 449,403	\$ 4,419,942
Capital assets, net of accumulated depreciation	<u>29,228,391</u>	<u>12,790,616</u>	<u>42,019,007</u>
TOTAL ASSETS	\$33,198,930	\$13,240,019	\$46,438,949
Long-term liabilities outstanding	\$16,685,394	\$ 4,613,788	\$21,357,336
Other liabilities	<u>2,244,225</u>	<u>700,608</u>	<u>2,283,528</u>
Total Liabilities	<u>18,929,619</u>	<u>5,372,550</u>	<u>24,302,169</u>
Net Assets:			
Invested in capital, net of related debt	11,681,339	7,605,798	19,287,137
Restricted	424,149	-	424,149
Unrestricted	<u>2,345,823</u>	<u>261,671</u>	<u>2,607,494</u>
Total Net Assets	<u>14,269,311</u>	<u>7,867,469</u>	<u>22,136,780</u>
TOTAL LIABILITIES AND NET ASSETS	\$33,198,930	\$13,240,019	\$46,438,949

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 2,914,886	\$2,615,391	\$ 5,530,277
Operating grants	1,398,215	-	1,398,215
General Revenues:			
Taxes and special assessments	10,390,398	-	10,390,398
Investment earnings	<u>493,208</u>	<u>7,057</u>	<u>500,265</u>
Total Revenues	<u>15,196,707</u>	<u>2,622,448</u>	<u>17,819,155</u>
Expenses:			
General government	1,666,518	-	1,666,518
Police	3,559,586	-	3,559,586
Fire	995,907	-	995,907
Building and safety	268,938	-	268,938
Public works	1,857,038	-	1,857,038
Recreation and culture	2,821,015	-	2,821,015
Library	482,152	-	482,152
Community enrichment and development	75,949	-	75,949
Road maintenance and repair	1,547,569	-	1,547,569
Tax refund	1,512,027	-	1,512,027
Interest on long-term debt	927,030	-	927,030
Miscellaneous	3,704	-	3,704
Water and sewer	-	<u>2,615,391</u>	<u>2,615,391</u>
Total Expenses	<u>15,717,433</u>	<u>2,615,391</u>	<u>18,332,824</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS (continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Assets	(520,726)	367,529	(153,197)
Net Assets, July 1, 2007	<u>14,790,037</u>	<u>7,499,940</u>	<u>22,289,977</u>
Net Assets, June 30, 2008	<u>\$14,269,311</u>	<u>\$7,867,469</u>	<u>\$22,136,780</u>

Governmental Activities:

Governmental activities decreased the City's net assets by \$520,726.

Business-Type Activities:

Business-type activities increased the City's net assets by \$367,529. Key factors of this increase are as follows:

- Operating revenues increased by 0.6% and operating expenses decreased by 11.6% during the year.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$760,223 and reserved fund balance was \$127,828. Total fund balance decreased by \$1,154,339 during the fiscal year.

Tax Increment Finance Authority

The Tax Increment Finance Authority has fund balance of \$276,962.

Recreation Center Operating Fund

The Recreation Center Operating Fund has a fund balance of \$2,142.

Other Governmental Funds

Other Governmental Funds had the following fund balances:

Special Revenue Funds	\$2,029,508
Debt Service Funds	\$ 30,686
Capital Projects Funds	\$ 211,463

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$41,462,297 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the City's net investment in capital assets for the current fiscal year was \$1,921,315. The following table is a comparison of the City's net capital assets as of June 30, 2008 compared to June 30, 2007:

NET CAPITAL ASSETS AT YEAR END
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Capital assets not depreciated:						
Land	\$ 1,213	\$ 1,213	\$ -	\$ -	\$ 1,213	\$ 1,213
Capital assets being depreciated:						
Infrastructure	7,691	6,989	-	-	7,691	6,989
Buildings	19,156	18,706	5,258	5,145	24,414	23,851
Machinery and equipment	1,843	1,613	182	171	2,025	1,784
Water sewer and mains	-	-	7,781	7,452	7,781	7,452
Vehicles	<u>231</u>	<u>151</u>	<u>29</u>	<u>23</u>	<u>260</u>	<u>174</u>
Net capital assets	<u>\$30,134</u>	<u>\$28,672</u>	<u>\$13,250</u>	<u>\$12,791</u>	<u>\$43,384</u>	<u>\$41,463</u>

Additional information regarding the City's capital assets can be located in the Note 4 of the notes to basic financial statements.

Long-Term Debt:

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$24,383,006.

OUTSTANDING DEBT AT YEAR END

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General obligation bonds (backed by the City)	\$17,495,000	\$5,184,818	\$22,679,818
Equipment Loans	<u>52,052</u>	<u>-</u>	<u>52,052</u>
	<u>\$17,547,052</u>	<u>\$5,184,818</u>	<u>\$22,731,870</u>

State statutes limit the amount of general obligation debt the City can issue to 10% of its total state equalized assessed value of property. The City's total general obligation debt (\$22,731,870) is significantly lower than the current state-imposed limit of \$56,912,602.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

ECONOMIC CONDITION AND OUTLOOK

The City of Flat Rock's budget for 2008 is not recommending any change to the millage rate. The water and sewer rates are \$5.00 residential and \$6.50 for commercial and \$6.75 for industrial per thousand gallons.

The City's revenue consists of 72.4% tax revenues, 19.3% local sources and 8.3% from other sources. The City's tax base had a decrease of \$450,000. Local revenues are projected to decrease by \$65,000 for the fiscal year ended June 30, 2008. State revenue sharing should remain consistent with last year, barring any additional changes in the distribution formula used by the State.

The City's general fund expenditures are allocated 48.3% to public safety, police, fire, and building and safety. The department of public services amounts to 27.0% and the clerk and treasurer departments total 16.7% and other departments total 8.0%. In addition, it is recommended that there should be a decrease in expenditures over the previous year's budget of approximately \$600,000. The general fund is projecting fund balance increase of \$31,756.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to the following:

City of Flat Rock
25500 Gibraltar Road
Flat Rock, Michigan 48134-1399

BASIC FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 3,516,632	\$ 352,767	\$ 3,869,399
Accounts receivable	326,079	37,731	363,810
Note receivable	-	38,333	38,333
Inventories	20,198	20,572	40,770
Prepaid expenses	107,630	-	107,630
Total Current Assets	<u>3,970,539</u>	<u>449,403</u>	<u>4,419,942</u>
Noncurrent Assets			
Bond issuance cost and discounts, net of accumulated amortization	556,710	-	556,710
Capital assets, net of accumulated depreciation	<u>28,671,681</u>	<u>12,790,616</u>	<u>41,462,297</u>
Total Noncurrent Assets	<u>29,228,391</u>	<u>12,790,616</u>	<u>42,019,007</u>
TOTAL ASSETS	<u><u>\$ 33,198,930</u></u>	<u><u>\$ 13,240,019</u></u>	<u><u>\$ 46,438,949</u></u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 198,293	\$ 74,306	\$ 272,599
Accrued expenses	143,694	51,270	194,964
Current portion of accumulated compensated absences	184,556	4,002	188,558
Current portion of long-term obligations	<u>1,141,468</u>	<u>571,030</u>	<u>1,712,498</u>
Total Current Liabilities	<u>1,668,011</u>	<u>700,608</u>	<u>2,368,619</u>
Noncurrent Liabilities			
Accumulated compensated absences	850,840	58,154	908,994
Noncurrent portion of long-term obligations	<u>16,405,584</u>	<u>4,613,788</u>	<u>21,019,372</u>
Total Noncurrent Liabilities	<u>17,256,424</u>	<u>4,671,942</u>	<u>21,928,366</u>
TOTAL LIABILITIES	<u>18,924,435</u>	<u>5,372,550</u>	<u>24,296,985</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	11,681,339	7,605,798	19,287,137
Restricted for			
Debt service	30,686	-	30,686
Capital projects	211,463	-	211,463
Unrestricted	<u>2,351,007</u>	<u>261,671</u>	<u>2,612,678</u>
Total Net Assets	<u>14,274,495</u>	<u>7,867,469</u>	<u>22,141,964</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 33,198,930</u></u>	<u><u>\$ 13,240,019</u></u>	<u><u>\$ 46,438,949</u></u>

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 1,666,518	\$ 168,151	\$ 807,559	\$ (690,808)	\$ -	\$ (690,808)
Police	3,559,586	496,253	24,594	(3,038,739)	-	(3,038,739)
Fire	995,907	193,192	-	(802,715)	-	(802,715)
Building and safety	268,938	142,899	-	(126,039)	-	(126,039)
Public works	1,857,038	281,172	-	(1,575,866)	-	(1,575,866)
Recreation and culture	2,821,015	1,305,598	-	(1,515,417)	-	(1,515,417)
Library	482,152	97,174	-	(384,978)	-	(384,978)
Community enrichment and development	70,765	212,237	112,566	254,038	-	254,038
Road maintenance and repair	1,547,569	-	453,496	(1,094,073)	-	(1,094,073)
Tax refund	1,512,027	-	-	(1,512,027)	-	(1,512,027)
Interest on long-term debt	927,030	-	-	(927,030)	-	(927,030)
Miscellaneous	3,704	18,210	-	14,506	-	14,506
Total Governmental Activities	<u>15,712,249</u>	<u>2,914,886</u>	<u>1,398,215</u>	<u>(11,399,148)</u>	<u>-</u>	<u>(11,399,148)</u>
Business-type Activities:						
Water and sewer	<u>2,615,391</u>	<u>2,975,863</u>	<u>-</u>	<u>-</u>	<u>360,472</u>	<u>360,472</u>
Total Primary Government	<u>\$ 18,327,640</u>	<u>\$ 5,890,749</u>	<u>\$ 1,398,215</u>	<u>(11,399,148)</u>	<u>360,472</u>	<u>(11,038,676)</u>
 <u>General Revenues:</u>						
Taxes:						
Property taxes, levied for general purposes				9,796,603	-	9,796,603
Property taxes, levied for special services				581,060	-	581,060
Special assessments for debt service				12,735	-	12,735
Investment earnings				493,208	7,057	500,265
Total General Revenues				<u>10,883,606</u>	<u>7,057</u>	<u>10,890,663</u>
 CHANGES IN NET ASSETS				(515,542)	367,529	(148,013)
NET ASSETS, BEGINNING				<u>14,790,037</u>	<u>7,499,940</u>	<u>22,289,977</u>
NET ASSETS, ENDING				<u>\$ 14,274,495</u>	<u>\$ 7,867,469</u>	<u>\$ 22,141,964</u>

The notes to the financial statements are an integral part to this statement.

Balance Sheet
Governmental Funds
June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	General	Tax Increment Finance Authority	Downtown Development Authority	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 870,527	\$ 276,962	\$ 1,350,709	\$ 1,017,900	\$ 3,516,098
Receivables:					
Taxes	203,377	-	-	-	203,377
Accrued interest and other	22,660	-	-	16,143	38,803
Due from other funds	84,433	-	-	305,669	390,102
Due from other governmental units	-	-	-	84,433	84,433
Inventory	20,198	-	-	-	20,198
Prepaid expenses	107,630	-	-	-	107,630
TOTAL ASSETS	\$ 1,308,825	\$ 276,962	\$ 1,350,709	\$ 1,424,145	\$ 4,360,641
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 145,383	\$ -	\$ -	\$ 52,910	\$ 198,293
Accrued expenses	97,587	-	-	46,107	143,694
Compensated absences, current	177,804	-	-	6,752	184,556
Due to other funds	-	-	-	390,102	390,102
TOTAL LIABILITIES	420,774	-	-	495,871	916,645
<u>FUND BALANCE</u>					
Reserved for:					
Inventory	20,198	-	-	-	20,198
Prepaid expenditures	107,630	-	-	-	107,630
Undesignated, reported in:					
General fund	760,223	-	-	-	760,223
Special revenue funds	-	276,962	1,350,709	396,151	2,023,822
Debt service	-	-	-	30,686	30,686
Capital projects	-	-	-	501,437	501,437
TOTAL FUND BALANCES	888,051	276,962	1,350,709	928,274	3,443,996
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,308,825	\$ 276,962	\$ 1,350,709	\$ 1,424,145	\$ 4,360,641

The notes to the financial statements are an integral part of this statement.

CITY OF FLAT ROCK, MICHIGAN

Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2008

Total Fund Balances for Governmental Funds	\$	3,443,996
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		28,671,681
Compensated absences are not due and payable in the current period and are not reported in the funds.		(850,840)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Other related amounts include unamortized bond cost of \$255,453.		(17,547,052)
Unamortized bond issue costs not recorded in the funds		<u>556,710</u>
Net Assets of Governmental Activities	\$	<u><u>14,274,495</u></u>

-

Statement of Revenues, Expenditures
and Changes in Fund Balances Governmental Funds
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	General	Tax Increment Finance Authority	Downtown Development Authority	Other Governmental Funds	Total
REVENUES					
Property taxes	\$ 6,787,205	\$ 4,766,389	\$ 544,093	\$ 581,060	\$ 12,678,747
General Government	168,151	-	-	-	168,151
Police Department	496,253	-	-	-	496,253
Fire Department	193,192	-	-	-	193,192
Building and Safety	142,899	-	-	-	142,899
Public Works	256,234	-	-	-	256,234
Recreation and culture	121,030	-	-	1,184,568	1,305,598
Community enrichment and development	117,477	-	-	-	117,477
Special assessments	-	-	-	12,735	12,735
Internal governmental revenue:					
State grants	807,559	-	-	453,496	1,261,055
Federal shared revenue	-	-	-	112,566	112,566
Rental income	-	-	-	524,655	524,655
Other	-	20,000	-	246,917	266,917
Interest	211,118	72,445	40,819	41,887	366,269
Total Revenues	<u>9,301,118</u>	<u>4,858,834</u>	<u>584,912</u>	<u>3,157,884</u>	<u>17,902,748</u>
EXPENDITURES					
General government	1,650,177	-	-	-	1,650,177
Police	3,471,924	-	-	-	3,471,924
Fire	910,054	-	-	-	910,054
Building and safety	254,226	-	-	-	254,226
Public works	1,752,520	-	-	-	1,752,520
Recreation and culture	875,037	-	-	1,520,075	2,395,112
Library	-	-	-	575,417	575,417
Community enrichment and development	52,242	-	155,940	196,989	405,171
Road maintenance and repair	-	50,681	-	705,831	756,512
Tax refund	-	3,813,111	-	-	3,813,111
Debt Service:					
Principal	-	-	-	1,095,000	1,095,000
Interest	-	-	-	927,030	927,030
Miscellaneous	-	-	-	3,704	3,704
Total Expenditures	<u>8,966,180</u>	<u>3,863,792</u>	<u>155,940</u>	<u>5,024,046</u>	<u>18,009,958</u>
Excess Revenues (Expenditures)	<u>334,938</u>	<u>995,042</u>	<u>428,972</u>	<u>(1,866,162)</u>	<u>(107,210)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	95,000	107,663	-	3,014,671	3,217,334
Operating transfers out	(1,584,277)	(1,012,534)	-	(620,523)	(3,217,334)
Total Other Financing Sources (Uses)	<u>(1,489,277)</u>	<u>(904,871)</u>	<u>-</u>	<u>2,394,148</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,154,339)	90,171	428,972	527,986	(107,210)
FUND BALANCE, JULY 1, 2007	<u>2,042,390</u>	<u>186,791</u>	<u>921,737</u>	<u>400,288</u>	<u>3,551,206</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 888,051</u>	<u>\$ 276,962</u>	<u>\$ 1,350,709</u>	<u>\$ 928,274</u>	<u>\$ 3,443,996</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLAT ROCK, MICHIGAN

Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds \$ (107,210)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays and construction in progress as expenditures. However in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays and construction in progress (1,462,181)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds. 1,119,938

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of current year bond issuance costs and discounts	(40,595)	
Change in long-term compensated absences	<u>(25,494)</u>	<u>(66,089)</u>
Change in Net Assets of Governmental Activities		<u>\$ (515,542)</u>

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 352,767
Accounts receivable, customers	37,731
Note receivable	38,333
Inventories	20,572
Total Current Assets	<u>449,403</u>
Noncurrent Assets	
Capital assets, net of accumulated depreciation	<u>12,790,616</u>
TOTAL ASSETS	<u>\$ 13,240,019</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 74,306
Accrued expenses and other liabilities	51,270
Current portion of accumulated compensated absences	4,002
Current portion of long-term obligations	<u>571,030</u>
Total Current Liabilities	<u>700,608</u>
Noncurrent Liabilities	
Accumulated compensated absences	58,154
General obligation bonds payable	5,184,818
Less current portion shown in current liabilities	<u>(571,030)</u>
Total Noncurrent Liabilities	<u>4,671,942</u>
TOTAL LIABILITIES	5,372,550
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	7,605,798
Unrestricted	<u>261,671</u>
Total Net Assets	<u>7,867,469</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,240,019</u>

Statement of Revenues, Expenses, and Changes
in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>OPERATING REVENUES</u>	
Customer billings	\$ 2,843,312
Capital charges	25,719
Service connections	25,607
Service charges	50,107
Other revenue	31,118
Total Operating Revenues	<u>2,975,863</u>
<u>OPERATING EXPENSES</u>	
Cost of water purchases	664,522
Cost of sewage disposal	767,947
System maintenance and repairs	362,289
General and administrative	212,671
Depreciation	459,134
Amortization	9,733
Total Operating Expenses	<u>2,476,296</u>
OPERATING INCOME	<u>499,567</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	7,057
Interest expense	<u>(139,095)</u>
Total Net Non-Operating Expenses	<u>(132,038)</u>
CHANGE IN NET ASSETS	367,529
TOTAL NET ASSETS, BEGINNING	<u>7,499,940</u>
TOTAL NET ASSETS, ENDING	<u>\$ 7,867,469</u>

The notes to the financial statements are an integral part of this statement.

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 2,943,156
Other operating revenues	31,118
Cash payments for goods and services	(1,831,459)
Cash to employees	(295,822)
Net Cash Provided By Operating Activities	<u>846,993</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Due to other funds	(972)
Collection of note receivable	38,333
Principal paid on revenue and general obligations	(531,198)
Interest paid on revenue and general obligations	(139,095)
Net Cash Used By Capital and Related Financing Activities	<u>(632,932)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on investments	<u>7,057</u>
Net Cash Provided By Investing Activities	<u>7,057</u>
NET DECREASE IN CASH	221,118
<u>CASH BALANCE</u> July 1, 2007	<u>131,649</u>
<u>CASH BALANCE</u> June 30, 2008	<u>\$ 352,767</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income	\$ 499,567
Depreciation	459,134
Amortization	9,733
Change in assets and liabilities:	
Increase in accounts receivable	(1,589)
Decrease in accounts payable	(125,970)
Increase in accrued expenses and other liabilities	<u>6,118</u>
Net Cash Provided By Operating Activities	<u>\$ 846,993</u>

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Deferred Compensation</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 3,627,972	\$ 139,170	\$ 1,006	\$ -	\$ 3,768,148
	<u>3,627,972</u>	<u>139,170</u>	<u>1,006</u>	<u>-</u>	<u>3,768,148</u>
Investments, at fair value:					
Variable annuity funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,005,404</u>	<u>2,005,404</u>
TOTAL ASSETS	<u>\$ 3,627,972</u>	<u>\$ 139,170</u>	<u>\$ 1,006</u>	<u>\$ 2,005,404</u>	<u>\$ 5,773,552</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 27,488	\$ -	\$ -	\$ 27,488
Due to other governments	3,627,972	-	-	-	3,627,972
Payments received in advance	-	111,682	1,006	-	112,688
Deferred compensation benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,005,404</u>	<u>2,005,404</u>
TOTAL LIABILITIES	<u>\$ 3,627,972</u>	<u>\$ 139,170</u>	<u>\$ 1,006</u>	<u>\$ 2,005,404</u>	<u>\$ 5,773,552</u>

The notes to the financial statements are an integral part of this statement.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Flat Rock, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Flat Rock.

REPORTING ENTITY – The City was formed as a home rule city in 1965. The City is governed by a Mayor and Council. The Mayor is the chief administrative and executive office of the City and is elected at large for a two-year term in a non-partisan election and has voting power. The Council consists of six members who are also elected at large for four-year terms, in a non-partisan election. The reporting entities included in these financial statements are the City of Flat Rock, Michigan, the primary government, the Tax Increment Finance Authority, the Downtown Development Authority, and the City of Flat Rock Building Authority, the component units.

The basic criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. Oversight responsibility includes the primary government being financially accountable for the potential component unit. Other oversight responsibilities include, but are not limited to, the selection of the governing authority, the designation of management, the ability to approve or modify the budget, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

BLENDED COMPONENT UNITS – These types of component units are reported as though they were part of the primary government, using the blended method.

The Tax Increment Finance Authority (TIFA) was created on April 15, 1985. The intended purpose is to bolster the declining value of the lands located within the district. TIFA has a targeted development area which will be developed and ultimately lead to increasing the values of the properties located within the targeted area. Funding for TIFA is provided by capturing the increased property tax revenues from the increase in assessed valuations of the benefited properties.

The Downtown Development Authority (DDA) was created on April 18, 1988. The intended purpose is to implement improvements to public facilities within the development area to comply with barrier free design requirements and to develop and implement long-range plans designed to halt the deterioration of the property values in the Downtown District. Funding for DDA is provided from the increased property tax revenues from any benefited property.

The City of Flat Rock Building Authority (BA) was created on August 5, 1996. The intended purpose is the acquisition, furnishing, equipping, owning, improving, enlarging, operating and maintaining a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites thereof, together with appurtenant properties and facilities necessary or convenient use thereof, for use for any legitimate public purposes of the City.

Separate financial statements of TIFA, DDA and BA may be obtained from the City offices.

MAJOR TAXPAYER - Approximately 43 percent of property tax revenue is from one Company located in the City of Flat Rock, and 30 percent of water, sewer and industrial charge revenue are from the same company.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, intergovernmental revenues, and investment income.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Tax Increment Finance Authority (TIFA) – TIFA is a special revenue fund used to develop and increase the value of properties located within the targeted area.

Downtown Development Authority (DDA) – DDA is a special revenue fund created to prevent deterioration, encourage historical preservation and promote economic growth within the downtown district.

In addition the City reports on the following fund types:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operation of an enterprise fund.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUND:

Water and Sewer Fund – The Water and Sewer Fund is an Enterprise Fund. The City operates one Enterprise Fund, which accounts for the operation of the Water and Sewer Systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges. The fund uses full accrual accounting based on Generally Accepted Accounting Principles (GAAP) and follows accounting and financial activities prescribed by the Financial Accounting and Standards Board (FASB) as long as it does not conflict with the Governmental Accounting Standards Board (GASB) guidance.

FIDUCIARY FUNDS:

Agency Funds - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Any residual balances outstanding between the governmental and business-type activities with fiduciary funds are reported in the government-wide financial statements as “external balances.”

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Equipment and Meters	10 to 30 years
Vehicles	5 to 12 years
Water and Sewer Mains	50 years
Roads and infrastructure	10 to 30 years

Compensated Absences (Vacation and Sick Leave) – It is the government’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Property Taxes - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of December 31 each year. City taxes are levied and immediately due the following July 1 with final collection date August 31 without penalty. Taxes unpaid after August 31 are subject to interest, penalties and collection fees. Wayne County, Michigan (the “County”) is responsible for the collection of real property taxes of the City which are delinquent as of March 1 of each fiscal year. The County purchases from the City all delinquent real property taxes from a tax payment fund established by the County. In return, the City has assigned to the County all amounts payable to the City from the taxpayers with respect to such delinquent real property taxes.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE -2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information - Budgets are adopted on the modified accrual basis consistent with generally accepted accounting principles except that operating transfers are reported as revenue and expenditures. Annual appropriated budgets are adopted for the General, Special Revenue, Capital Project Funds and the following Debt Service Funds – Aspen Drive, Building Authority, Transportation Bond General Obligation, Building Authority Ball and Ice, Huron Woods Series A Retirement, Huron Woods Series B Retirement, and Seneca Sewer and Water Fund. Annual budgets lapse at year-end.

The level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the department (activity) level for the General Fund and the activity level for Special Revenue and Debt Service Funds.

The governing body must approve budget amendments at the activity level and supplemental appropriation, which affect total fund expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year ended June 30, 2008, the City incurred expenditures in certain non major budgetary funds, which were in excess of amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	Actual Over <u>Budget</u>
Major Street Fund	\$ 415,561	\$ 485,567	\$ (67,006)
Local Street Fund	\$ 480,201	\$ 625,618	\$(145,417)
Historical District Fund	\$ 7,620	\$ 106,295	\$(98,675)

The City's appropriation resolution is generally passed preceding the fiscal year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next fiscal year.

Compliance with the Single Audit Act Amendments of 2003 – After examination by the auditors, a compilation audit in accordance with the Single Audit Act was not necessary since the City did meet the threshold requirement.

NOTE -3- CASH AND CASH EQUIVALENTS:

As of June 30, 2008, the carrying value of cash and cash equivalent (consisting of checking accounts, savings accounts, and money market accounts) was \$3,869,399 and the bank balance was \$5,571,006. Of the bank balance, \$109,059 was covered by federal depository insurance and \$5,461,947 was uninsured and uncollateralized.

NOTE -4- CAPITAL ASSETS:

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ <u>1,213,229</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>1,213,229</u>
Capital Assets Being Depreciated				
Infrastructure	21,339,120	94,760	-	21,433,880
Buildings	22,505,953	-	-	22,505,953
Machinery and Equipment	4,358,433	-	-	4,358,433
Vehicles	<u>830,765</u>	<u> -</u>	<u> -</u>	<u>830,765</u>
Subtotal	<u>49,034,271</u>	<u>94,760</u>	<u> -</u>	<u>49,129,031</u>
Less Accumulated Depreciation for				
Infrastructure	(13,648,110)	(797,368)	-	(14,445,478)
Buildings	(3,350,289)	(449,351)	-	(3,799,640)
Machinery and Equipment	(2,515,252)	(230,527)	-	(2,745,779)
Vehicles	<u>(599,987)</u>	<u>(79,687)</u>	<u> -</u>	<u>(679,674)</u>
Subtotal	<u>(20,113,638)</u>	<u>(1,556,941)</u>	<u> -</u>	<u>(21,670,579)</u>
Net Capital Assets Being Depreciated	<u>28,920,633</u>	<u>(1,462,181)</u>	<u> -</u>	<u>27,458,452</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$30,133,862</u>	<u>\$ (1,462,181)</u>	<u>\$ -</u>	<u>\$28,671,681</u>
Business – Type Activities				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$16,103,851	\$ -	\$ -	\$16,103,851
Buildings	6,516,962	-	-	6,516,962
Equipment and Meters	443,233	-	-	443,233
Vehicles	<u>285,396</u>	<u> -</u>	<u> -</u>	<u>285,396</u>
Subtotal	<u>23,349,442</u>	<u> -</u>	<u> -</u>	<u>23,349,442</u>
Less Accumulated Depreciation for				
Water and Sewer Mains	(8,323,042)	(328,568)	-	(8,651,610)
Buildings	(1,258,683)	(113,673)	-	(1,372,356)
Equipment and Meters	(262,333)	(10,357)	-	(272,690)
Vehicles	<u>(255,634)</u>	<u>(6,536)</u>	<u> -</u>	<u>(262,170)</u>
Subtotal	<u>(10,099,692)</u>	<u>(459,134)</u>	<u> -</u>	<u>(10,558,826)</u>
Business Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$13,249,750</u>	<u>\$ (459,134)</u>	<u>\$ -</u>	<u>\$ 12,790,616</u>

NOTE -4- CAPITAL ASSETS: (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Road Maintenance and Repair	\$ 797,382
Recreational Culture	432,416
Public Works	90,081
Police	78,298
Library	48,846
Fire	73,746
General Government	25,638
Building and Safety	<u>10,534</u>
Total Governmental Activities	<u>\$1,556,941</u>
Business – Type Activities	
Water and Sewer Mains	\$ 328,568
Buildings	113,673
Equipment and meters	10,357
Vehicles	<u>6,536</u>
Total Business – Type Activities	<u>\$ 459,134</u>

NOTE -5- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS:

“Total fund balances” of the City’s governmental funds \$3,438,312 on the Governmental Funds Balance Sheet differs from “net assets” of governmental activities by \$10,830,499 as reported in the statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current resources focus of the governmental fund balance sheets. The following is a description of each difference found on the reconciliation of governmental funds balance sheet and statement of net assets:

1. When capital assets (land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However the statement of net assets includes those assets among the assets of the City as a whole.

Cost of capital assets	\$ 50,342,260
Accumulated depreciation	<u>(21,670,579)</u>
	<u>\$ 28,671,681</u>

2. Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. The balance of long-term liabilities as of June 30, 2008 is \$17,547,052 and is recognized as a liability on the statement of net assets but not on the governmental funds balance sheet. In addition, unamortized bond cost of \$556,710 is recognized as a non-current asset on the statement of net assets but not on the governmental funds balance sheet.
3. The City provides employees with sick and vacation leave, which can be accumulated and redeemed for compensation at retirement. This leave is referred to as accumulated compensated absences. Leave not used within at the end of the fiscal year is not payable from current resources and is not recognized on the governmental funds balance sheet. The amount of \$850,840 is recognized as a long-term liability on the statement of net assets. The amount payable by fund is as follows:

NOTE -5- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS: (continued)

Police	\$485,101
Public works	147,187
Fire	90,031
General government	46,729
Building and safety	25,030
Recreation	45,601
Library	<u>11,161</u>
	<u>\$850,840</u>

NOTE -6- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND STATEMENT OF ACTIVITIES:

The "net change in fund balances" for governmental funds of \$(112,394) on the Statement of Revenues, Expenditures and Changes in Fund Balance differs from the "change in net assets" for governmental activities by \$(408,332) as reported in the Statement of Activities. The difference arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The following is a description of each difference found on the reconciliation of statement of revenues, expenditures and changes in fund balance to the statement of activities:

1. Capital outlays and construction costs are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. The costs of these outlays are spread over the estimated useful lives of the assets (depreciation) in the statement of activities. The difference is illustrated below:

Capital outlays as expenditures in fiscal year 2007-2008	\$ 94,760
Depreciation	(1,556,941)
	<u>\$(1,462,181)</u>

2. Principal on long-term debt was decreased by \$1,119,938. The debt was originally issued to purchase and construct capital assets. Bond issuance cost and discounts in the amount of \$803,142 are amortized over the term of the related debt. The outstanding liability is reported as reduction on net assets. Decreasing the liability increases net assets.
3. Amortization of current year bond issuance cost and discounts and the change in the long-term expense for accumulated compensation absences reported in the statement of activities and not the statement of revenues, expenditures and changes in fund balance is as follows:

<u>Amortization expense</u>	<u>\$ 40,595</u>
<u>Compensation absences</u>	
Fire	\$ 7,284
General government	(10,296)
Public works	14,437
Police	13,917
Recreation	(5,246)
Library	1,219
Building and safety	<u>4,179</u>
	<u>\$25,494</u>

NOTE -7- PENSION PLAN:**Description of the Plan:**

The City of Flat Rock participates in the Municipal Employees Retirement System of Michigan (MERS) which is an agent multiple-employer Public Employee Retirement System (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 220, Public Acts of 1996, as amended, and the Constitution of the State of Michigan. The City has no fiduciary responsibility for the plan.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

NOTE -7- PENSION PLAN: (continued)

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.0% of the member's final average compensation (F.A.C.). The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits.

Actuarial valuations of each participating municipality in the MERS are prepared annually to determine the actuarial condition of the Retirement System and the employer contribution rates required to fund MERS on an actual reserve basis. The calculated employer contribution rates derived from the actuarial valuation as of December 31, 2007, are based on the present provisions of the Municipal Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised). A comprehensive annual financial report of MERS may be obtained from the office of the City of Flat Rock, Michigan.

Effective dates for participation in the plan differ by employee bargaining group. The effective dates are as follows:

July 1, 1978 -	Hourly Employees and Administrative/Non-Union
July 1, 1984 -	DPW Union
July 1, 1985 -	Police Union

Upon the effective date for each respective bargaining group, all full time employees of the City are eligible to participate in the plan. As of December 31, 2007, the latest valuation date, the City had 76 employees of which 76 were covered employees. In addition, 2 inactive vested member and 37 retirees were also covered. As of December 31, 2007, the assets of MERS allocated to The City of Flat Rock amounted to about \$11,303,298 at market value and \$11,172,960 at actuarial value.

Funding Policy:

Each member contributes a percent of annual compensation, as selected by the City of Flat Rock. Any percentage from 0% to 10% (in .1% increments) may be selected. A 3% to 5% contribution program was available prior to 1985 and may be continued, but not adopted, after 1984. Under this program the member contributes 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

If a member leaves the employ of the municipality, or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 2.9%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary (after spousal consent, if applicable)

Funding the Retirement System on an actual reserve basis seeks to achieve 1) level required contribution rates as a percentage of payroll; 2) finance benefits earned by present employees on a current basis; 3) accumulate assets to enhance members' benefit security; 4) produce investment earnings on accumulated assets to help meet future benefit costs; 5) make it possible to estimate the long-term actuarial cost of proposed amendments to System provisions; 6) assist in maintaining the Retirement Systems financial viability.

The basic funding objective is a level pattern of cost as a percentage of salary throughout an employee's working lifetime. The funding method used in the actuarial valuation – the entry age normal cost method – is intended to meet this objective and result in a relatively level long-term contribution requirement as a percentage of salary.

Under the entry age normal cost method, the total actuarially-determined contribution requirement is the sum of the normal cost and the payment required to amortize the unfunded accrued liability over an amortization period of 30 years (up to 37 years for municipalities that have participated in MERS for less than 10 years), less the accelerated funding credit, if available. Active member payroll is assumed to increase 4.5% a year for the purpose of determining level percent contributions.

Total covered payroll for the year ended December 31, 2007, was \$4,100,932 and the annual estimated contribution for the fiscal year beginning July 1, 2008, is \$601,548. During the fiscal year's ended June 30, 2008, 2007, and 2006, employer contributions totaling \$601,000, \$574,000, and \$529,000, respectively, were made.

Results of Actuarial Valuation:

The actuarial valuation of the liabilities and contribution rates resulting from the participation of the City of Flat Rock in MERS as of December 31, 2007, is based on the pension benefit provision of MERS, as governed by Act No. 220 of the Public Acts of 1996, as amended and the MERS plan document as revised, the characteristics of active and inactive MERS members, the assets attributable to MERS members of the City of Flat Rock and the actuarial assumptions and funding method, which include an investment yield rate of 8% and the entry age normal actuarial cost method.

NOTE -7- PENSION PLAN: (continued)Results of Actuarial Valuation (continued)

The actuarial accrued liability using the entry age normal actuarial method is calculated as follows:

Retirees and beneficiaries currently receiving benefits	\$ 8,564,496
Terminated employees not yet receiving benefits	84,229
Non-vested terminated employees (pending refunds of accumulated Member contributions)	35,857
Current employees ---	
Accumulated employee contributions including allocated investment income	2,291,468
Employer financed	<u>6,933,531</u>
Total Actuarial Accrued Liability	17,909,581
Net Assets Available for Benefits, at Actuarial Value (market value is \$11,303,298)	<u>11,172,960</u>
Unfunded Actuarial Accrued Liability	<u>\$ 6,736,621</u>

The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

The actuarial accrued liability represents the difference between the present value of all future benefits and the present value of future normal costs. The unfunded actuarial accrued liability (i.e., the actuarial accrued liability less assets accumulated as of the valuation date), is then amortized as noted above. The components of the employer contribution rate (i.e., the normal cost and amortization payment) and the estimated dollar contributions for the fiscal year beginning July 1, 2008, are as follows:

Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2008

Employer Contributions
As Percentages of Payroll and Dollars

<u>Valuations Division</u>	<u>Normal Cost</u>	<u>Unfunded Accrued Liability</u>	<u>Totals</u>
<u>Cost of Percentage of Payroll</u>			
General – Clerical	6.64%	(3.49)%	3.15%
Police – POAM	5.51	3.29	8.80
General – DPW Union	5.02	9.31	14.33
Dept. Heads	8.94	32.96	41.90
Adm. Employees	6.98	.08	7.06
COAM	5.51	12.33	17.84
<u>Estimated Monthly Contributions*</u>			
General – Clerical	\$ 1,644	\$ (864)	\$ 780
Police – POAM	4,516	2,697	7,213
General – DPW Union	3,441	6,382	9,823
Dept. Heads	3,167	11,675	14,842
Adm. Employees	4,205	48	4,253
COAM	<u>3,902</u>	<u>8,732</u>	<u>12,634</u>
Total Municipality	<u>\$20,875</u>	<u>\$28,670</u>	<u>\$49,545</u>
<u>Estimated Annual Contributions*</u>			
Total Municipality	<u>\$250,500</u>	<u>\$344,040</u>	<u>\$594,540</u>

NOTE -7- PENSION PLAN: (continued)Results of Actuarial Valuation (continued)

During the 1980's, the Retirement Board had implemented a program of contribution credits which give recognition of accelerated funding levels. The accelerated funding credit allows, in certain situations, for contributions to temporarily be reduced from the regular contribution shown above. For the fiscal year beginning July 1, 2007, no accelerated funding credits were available to the City of Flat Rock.

There is no single all-encompassing test for measuring a retirement system's funding process and current funded status. However, some common indicators of the progress that a retirement system has achieved in funding their obligations include observing the changes over time in the following items:

1. The ratio of valuation assets to actuarial accrued liabilities.
2. The pattern of unfunded actuarial accrued liability as a percentage of active payroll.
3. The ratio of valuation assets to the actuarial present value of vested benefits.

The following is a schedule of the historical changes in the first two funding measures:

<u>Valuation Date December 31,</u>	<u>Accrued Liabilities</u>	<u>Valuation Assets</u>	<u>Funded Percent</u>	<u>Unfunded Actuarial Liability</u>	<u>UAL as Percent of Annual Payroll</u>
1993	\$ 6,387,389	\$ 5,166,850	81%	1,220,539	70%
1994	7,164,146	5,291,598	74	1,872,548	98
1995	7,985,825	5,481,237	69	2,504,588	127
1996	9,468,660	5,723,546	60	3,745,114	181
1997	9,846,172	6,074,279	62	3,771,893	166
1998	10,463,586	6,654,032	64	3,809,554	150
1999	11,208,496	7,471,471	67	3,737,025	139
2000	12,517,271	8,088,957	65	4,428,314	157
2001	13,286,141	8,542,736	64	4,743,405	155
2002	14,063,800	8,558,105	61	5,505,695	166
2003	14,559,592	8,923,963	61	5,635,629	158
2004	15,927,160	9,377,358	59	6,549,802	162
2005	16,606,659	9,817,249	59	6,789,410	166
2006	17,205,222	10,454,562	61	6,750,660	158
2007	17,909,581	11,172,960	62	6,736,621	164

Notes: Actuarial assumptions were revised for the 1993, 1997, 2000 and 2004 actuarial valuations.
The funding method was changed to entry age normal for the 1993 valuation.

NOTE -7- PENSION PLAN: (continued)

The following is a comparative schedule of termination liability and present value of accrued benefits as of December 31, 2007:

<u>Type of Member</u>	<u>Termination Liability</u>	<u>Present Value of Accrued Benefits</u>
Active Members		
General Clerical	\$ 337,064	\$ 288,846
Police POAM	465,710	536,286
General Union	1,007,658	885,166
Dept. Heads	1,692,559	1,503,329
Administrative Employee	308,165	261,652
COAM	<u>1,986,078</u>	<u>2,150,017</u>
Totals	5,797,234	5,625,296
Vested Former Members	84,229	84,229
Pending Refunds	35,857	35,857
Retired Members and Beneficiaries	<u>8,564,496</u>	<u>8,564,496</u>
Total Present Value of Benefits	14,481,816	14,309,878
Total Valuation Assets	<u>11,172,960</u>	<u>11,172,960</u>
Excess Value of Benefits		
Over Valuation Assets	<u>\$ 3,308,856</u>	<u>\$ 3,136,918</u>

Note -The termination liability represents the present value of benefits payable in the event that all active members terminate employment on December 31, 2007, based upon valuation interest and mortality assumptions. The present value of accrued benefits includes vested and non-vested benefits accrued as of December 31, 2007.

NOTE -8- LONG-TERM DEBT:

The following is a summary of the outstanding debt of the City of Flat Rock as of June 30, 2008:

	<u>TYPE OF DEBT</u>	<u>NO. OF ISSUES</u>	<u>INTEREST RATE</u>	<u>MATURING THROUGH</u>	<u>PRINCIPAL OUTSTANDING</u>
--	---------------------	----------------------	----------------------	-------------------------	------------------------------

GOVERNMENTAL ACTIVITIES:General and Taxable Obligation Bonds Payable:

2000 Special Assessment, Series B Limited Tax Bonds	General Obligation	1	6.75% to 7.75%	2010	\$ 40,000
1993 Michigan Transportation Fund Bonds	General Obligation	1	3.00% to 5.40%	2008	25,000
2000 Special Assessment, Series A Limited Tax Bonds	General Obligation	1	4.80% to 5.70%	2010	125,000
1997 Michigan Transportation Fund Bonds	General Obligation	1	4.00% to 5.20%	2013	340,000
Installment Purchase Agreement Series 1997	General Obligation	1	4.90% to 7.07%	2013	665,000

NOTE -8- LONG-TERM DEBT: (continued)

2004 Building Authority & Building Authority Refunding Bonds	General Obligation	1	2.00% to 4.40%	2017	\$ 1,320,000
Building Authority Bond Series 2000	General Obligation	1	5.92%	2020	655,000
2006 Building Authority Refunding Bonds	General Obligation	1	3.900% to 4.60%	2021	3,375,000
2005 Tax Increment Finance Authority Limited Tax Development Bonds	Taxable Obligation	1	5.375% to 5.875%	2025	1,645,000
Tax Increment Finance Authority Limited Tax Development Bonds 2006 Series A	Taxable Obligations	1	6.75% to 7.00%	2024	4,110,000
Tax Increment Finance Authority Limited Tax Development Bonds 2006 Series B	Tax Exempt Obligations	1	4.000% to 4.80%	2024	<u>5,195,000</u>
Total General and Taxable Obligation Bonds Payable					<u>17,495,000</u>
<u>Other Long-Term Obligations:</u>					
Equipment	Lease Purchase Agreement	1	6.10%	2009	18,850
Equipment	Lease Purchase Agreement	1	5.58%	2012	<u>33,202</u>
Total Other Long-Term Obligations					<u>52,052</u>
TOTAL GOVERNMENTAL ACTIVITIES					<u>17,547,052</u>
<u>BUSINESS TYPE ACTIVITIES:</u>					
Wayne County Sewage Disposal System	General Obligation	1	3.60% to 6.75%	2010	400,000
South Huron Valley Utility Authority Substitution Fund Bonds; 1991 Series	General Obligation	1	2.00%	2011	365,802
South Huron Valley Utility Authority 1998 Sewer System Plant Acquisition Bonds	General Obligation	1	2.25%	2020	2,258,917
South Huron Valley Utility Authority 2004 Sewer System Plant Expansion Bonds	General Obligation	1	2.125%	2026	<u>2,160,099</u>
TOTAL BUSINESS TYPE ACTIVITIES					<u>5,184,818</u>
TOTAL LONG-TERM DEBT OUTSTANDING					<u>\$22,731,870</u>

NOTE -8- LONG-TERM DEBT: (continued)

The following is a summary of debt transactions of the City for the year ended June 30, 2008:

	ENTERPRISE FUND	GENERAL & TAXABLE OBLIGATIONS	TOTAL
Balance at July 1, 2007	\$5,716,016	\$18,666,990	\$24,383,006
Debt issued	-	-	-
Debt retired	<u>(531,198)</u>	<u>(1,119,938)</u>	<u>(1,651,136)</u>
Balance at June 30, 2008	<u>\$5,184,818</u>	<u>\$17,547,052</u>	<u>\$22,731,870</u>

Estimated annual principal and interest requirements for all outstanding debt listed above are as follows:

Year Ended		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/09		\$ 1,712,498	\$ 995,901	\$ 2,708,399
6/30/10		1,736,941	917,701	2,654,642
6/30/11		1,499,598	840,823	2,340,421
6/30/12		1,432,163	777,329	2,209,492
6/30/13		1,474,392	718,874	2,193,266
6/30/14		1,295,018	664,020	1,959,038
6/30/15		1,336,257	608,218	1,944,475
6/30/16		1,388,112	549,532	1,937,644
6/30/17		1,443,075	487,181	1,930,256
6/30/18		1,494,930	421,037	1,915,967
6/30/19		1,391,783	355,147	1,746,930
6/30/20		1,454,913	289,403	1,744,316
6/30/21		1,512,030	220,127	1,732,157
6/30/22		956,418	159,195	1,115,613
6/30/23		1,003,970	106,823	1,110,793
6/30/24		1,046,521	51,648	1,098,169
6/30/25		270,349	18,063	288,412
6/30/26		<u>282,902</u>	<u>7,150</u>	<u>290,052</u>
		<u>\$22,731,870</u>	<u>\$ 8,188,172</u>	<u>\$30,920,041</u>

Interest is payable on all bond obligations semi-annually. Principal installments are made annually. Total interest expense for the City for the year ended June 30, 2008, approximated \$1,040,000.

NOTE -9- INTERFUND RECEIVABLES AND PAYABLES:

The following are the interfund receivables and payables of the City as of June 30, 2008:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
GOVERNMENTAL FUNDS		
GENERAL FUND –		
Special Revenue Funds	\$ 84,433	\$ -
TOTAL GENERAL FUND	<u>84,433</u>	<u>-</u>
OTHER GOVERNMENTAL FUNDS:		
Special Revenue Funds		
Block Grant Fund:		
General Fund	-	84,433
Major Street Fund:		
Local Street Fund	-	15,695
Local Street Fund:		
Major Street Fund	15,695	-
Library Fund		
Building Authority Construction Fund	-	289,974
Total Special Revenue Funds	<u>15,695</u>	<u>390,102</u>

NOTE -9- INTERFUND RECEIVABLES AND PAYABLES: (continued)

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>OTHER GOVERNMENTAL FUNDS: (continued)</u>		
<u>Capital Projects Funds</u>		
Building Authority Construction:		
Library Fund	\$ 289,974	\$ _____
Total Capital Projects Funds	<u>289,974</u>	<u>_____</u>
 TOTAL OTHER GOVERNMENTAL FUNDS	 <u>305,669</u>	 <u>390,102</u>
 TOTAL INTERFUND RECEIVABLES AND PAYABLES	 <u>\$ 390,102</u>	 <u>\$ 390,102</u>

NOTE -10- INTERFUND OPERATING TRANSFERS:

The following are interfund operating transfers of the City at June 30, 2008:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>GENERAL FUND -</u>		
Special Revenue Funds:		
Major Street Fund	\$ -	\$ 145,000
Local Street Fund	-	400,000
Historical District Fund	95,000	-
Recreation Center Operating Fund	-	890,000
Debt Service Funds:		
Aspen Drive Fund	-	148,277
Capital Projects Funds:		
Sidewalk Fund	<u>-</u>	<u>1,000</u>
TOTAL GENERAL FUND	<u>95,000</u>	<u>1,584,277</u>
<u>TAX INCREMENT FINANCE AUTHORITY FUND -</u>		
TIFA Debt Service Fund	-	1,012,534
Recreation Center Capital Projects Fund	<u>107,663</u>	<u>-</u>
TOTAL TAX INCREMENT FINANCE AUTHORITY FUND	<u>107,663</u>	<u>1,012,534</u>
<u>OTHER GOVERNMENTAL FUNDS -</u>		
Special Revenue Funds:		
Recreation Center Operating Fund:		
General Fund	890,000	-
Major Street Fund:		
General Fund	145,000	-
Local Street Fund	-	94,175
Road Improvement Fund		145,000
Local Street Fund:		
General Fund	400,000	-
Major Street Fund	94,175	-
Transportation Bond General Obligation Fund	-	27,037
Aspen Drive Debt Service Fund	-	76,142
Road Improvement Fund		60,000
Historical District Fund		
General Fund	<u>-</u>	<u>95,000</u>
Total Special Revenue Funds	<u>1,529,175</u>	<u>497,354</u>

NOTE -10- INTERFUND OPERATING TRANSFERS: (continued)

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
Debt Service Funds:		
Aspen Drive Debt Service Fund:		
General Fund	\$ 148,277	\$ -
Local Street Fund	76,142	-
Transportation Bond General Obligation Fund:		
Building Authority Capital Projects Fund	11,806	-
Transportation Bond General Obligation Fund:		
Local Street Fund	27,037	-
TIFA Debt Service Fund		
Tax Increment Finance Authority Fund	1,012,534	-
Special Assessment Sidewalks Fund:		
Sidewalk Replacement Construction Fund	<u>-</u>	<u>3,700</u>
Total Debt Service Funds	<u>1,275,796</u>	<u>3,700</u>
Capital Project Funds:		
Building Authority Fund:		
Building Authority Debt Service Fund	-	11,806
Sidewalk Replacement Fund:		
General Fund	1,000	-
Special Assessment Debt Service Fund	3,700	-
Recreation Center Operating Fund	-	107,663
Road Improvement Fund:		
Major Street Fund	145,000	-
Local Street Fund	<u>60,000</u>	<u>-</u>
Total Capital Project Funds	<u>209,700</u>	<u>119,469</u>
 TOTAL OTHER GOVENMENTAL FUNDS	 <u>3,014,671</u>	 <u>620,523</u>
 TOTAL INTERFUND OPERATING TRANSFERS	 <u>\$3,217,334</u>	 <u>\$3,217,334</u>

NOTE -11- RISK MANAGEMENT:

The City purchases commercial insurance covering risks of loss arising from torts, asset theft, damage or destruction, business interruption, errors and omissions, job related illness or injuries to employees, workers compensation, accident, health, and other medical benefits.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is the defendant in several legal actions which have arisen in the ordinary course of operations. These actions are not anticipated to have a significant effect on the financial condition of the City.

NOTE -12- DEFERRED COMPENSATION PLAN:

The City has a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by an independent plan administrator. The Plan is available to all City employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The Deferred Compensation Plan is recorded in the Agency Fund. The Plan's assets are presented at fair market value and captioned as "investments" with corresponding liabilities captioned "deferred compensation benefits".

NOTE -12- DEFERRED COMPENSATION PLAN (continued):

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits of the Plan), subject to the claims of the City's general creditors. Participant's rights under the Plan are equal to those of the general creditors of the City in the amount equal to the fair market value of the deferred amount for each participant.

The City has no liability for losses under the Plan agreement but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors.

NOTE -13- POST RETIREMENT BENEFITS:

The City provides health care benefits to retirees. These benefits are paid annually from the General Fund.

The total cost to the City for health care benefits for the year ended June 30, 2008, was \$1,065,000 for approximately 80 active employees and 37 retirees.

NOTE -14- ADVANCE REFUND OF SEWAGE DISPOSAL BONDS:

On May 24, 1994, the City issued \$2,295,441 of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds with variable interest rates (3.15% to 5.19%) to advance refund \$2,175,000 of outstanding Wayne County Sewage Disposal (Flat Rock System) Bonds dated July 1, 1970, with variable interest rates (6% to 8%). The net proceeds of \$2,242,444 (after payment of \$52,997 in underwriting fees and issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1970 Series Bonds. As a result, the 1970 Series Bonds are considered to be nullified and the liability for those bonds has been removed from the Enterprise-Water and Sewer Fund. At June 30, 2008, the balance of the defeased 1970 Series Bonds was \$400,000.

The City advance refunded the 1970 Series Bonds to reduce its total debt service payments over the next 14 years by \$91,612 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$67,211.

NOTE -15- MICHIGAN TAX TRIBUNAL:

Currently the City of Flat Rock has numerous matters pending before the State of Michigan Tax Tribunal requesting the lowering of local real and personal property taxes. No single matter taken alone would significantly affect the tax base of the City.

NOTE -16- JOINT VENTURES:

33rd District Court - The City is a member of the 33rd District Court System (the "District Court"). The City appoints one member to the joint venture's governing board, who then approves the annual budget. The District Court receives its operating revenue principally through contributions from the member communities. The debt of the joint venture is being financed by member contributions. Complete financial statements for the District Court can be obtained from the administrative offices at 19000 Van Horn Rd., Woodhaven, MI 48183. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

South Huron Valley Utility Authority - The City is a member of the South Huron Valley Utility Authority, which provides sanitary sewage disposal services. Each of the eight member communities appoints one member to the Board. The Authority receives its operating revenue through charges to the communities. The City's share of the debt of the joint venture is being financed by the City through debt service charges. During the year ended June 30, 2008, the City paid operating costs of \$768,000. In addition, the City paid \$362,560 in principal payments and \$115,000 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173

Naming Rights Agreement - The City of Flat Rock, in conjunction with Auto Alliance International, Inc., (AAI), Ford Motor Company and Mazda Motor Corporation has agreed to the sale of naming rights for a new community center. The City has built a new recreational community center in which AAI has agreed, under general terms and conditions, to purchase the right to name the ("New Community Center") for \$6,100,000.

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>REVENUES:</u>				
Property taxes	\$ 6,697,582	\$ 6,697,582	\$ 6,787,205	\$ 89,623
Elections	3,000	3,000	17,459	14,459
General Government	82,920	82,920	150,692	67,772
Police Department	493,160	493,160	496,253	3,093
Fire Department	201,600	201,600	193,192	(8,408)
Building and Safety:				
Building permits	200,000	200,000	50,823	(149,177)
Electrical permits	25,000	25,000	21,476	(3,524)
Plumbing permits	10,000	10,000	11,493	1,493
Mechanical permits	15,000	15,000	11,680	(3,320)
Other revenues	17,200	17,200	47,427	30,227
Public Works	190,700	190,700	256,234	65,534
Recreation and culture	110,100	110,100	121,030	10,930
Community enrichment and development	99,718	99,718	117,477	17,759
State Shared Revenues	850,327	850,327	807,559	(42,768)
Interest	200,000	200,000	211,118	11,118
TOTAL REVENUES	9,196,307	9,196,307	9,301,118	104,811
<u>EXPENDITURES:</u>				
<u>GENERAL GOVERNMENT:</u>				
Legislative:				
Elected officials wages	10,000	10,000	10,000	-
Judicial:				
Legal fees	85,000	85,000	44,725	40,275
District court	420,000	420,000	444,608	(24,608)
Total Judicial	505,000	505,000	489,333	15,667
Elections:				
Supervisory	4,000	4,000	4,635	(635)
Clerical	15,000	15,000	13,893	1,107
Overtime	5,000	5,000	3,176	1,824
Payroll tax	1,920	1,920	583	1,337
Fees and per diem	7,500	7,500	12,065	(4,565)
Office supplies	3,000	3,000	4,341	(1,341)
Operating supplies	4,000	4,000	4,639	(639)
Meal allowance	300	300	150	150
Advertising	3,000	3,000	2,700	300
Insurance and bond	1,004	1,004	763	241
Equipment maintenance	4,000	4,000	4,266	(266)
Total Elections	48,724	48,724	51,211	(2,487)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Clerk and Treasurer:				
Supervisory	\$ 71,959	\$ 71,959	\$ 83,201	\$ (11,242)
Mechanic	100	100	7,432	(7,332)
Janitor	43,503	43,503	48,332	(4,829)
Clerical	148,018	148,018	133,402	14,616
Temporary	-	-	18,481	(18,481)
Overtime	5,000	5,000	5,120	(120)
Overtime Dept. Heads	-	-	20	(20)
Overtime custodian	2,500	2,500	4,064	(1,564)
Overtime park maintenance	2,500	2,500	1,852	648
Payroll taxes	25,428	25,428	25,203	225
Hospitalization	69,385	69,385	81,999	(12,614)
Employee life insurance	1,260	1,260	1,581	(321)
Longevity pay	825	825	825	-
Retirement contribution	38,073	38,073	38,689	(616)
Sick and vacation pay	15,000	15,000	14,495	505
Fees and per diem	-	-	1,074	(1,074)
Office supplies	10,000	10,000	12,496	(2,496)
Bank charges	5,000	5,000	71	4,929
Gasoline and oil, etc.	2,000	2,000	1,738	262
Operating supplies	2,000	2,000	2,836	(836)
Medical expense	1,000	1,000	345	655
Computer expense	30,000	30,000	12,975	17,025
Clothing	1,500	1,500	1,414	86
Custodian supplies	5,000	5,000	3,190	1,810
Greenways Maintenance	-	-	4,251	(4,251)
Pond sprinklers	8,127	8,127	5,713	2,414
Audit fee	12,150	12,150	12,150	-
Tax roll preparation	14,000	14,000	8,830	5,170
Property Engineering Fees	4,500	4,500		4,500
Membership and dues	15,000	15,000	14,777	223
Consultant fees	-	-	11,973	(11,973)
Telephone	17,000	17,000	12,912	4,088
Meal allowance	500	500	340	160
Public relations	5,000	5,000	4,226	774
Reimburse employee's Blue Cross	28,443	28,443	16,176	12,267
Advertising	2,000	2,000	2,811	(811)
Reading building	3,000	3,000	11,835	(8,835)
Education and training	1,000	1,000	-	1,000
Insurance and bonds	31,635	31,635	34,988	(3,353)
Insurance Claims Deductible	500	500	-	500
Utilities	51,638	51,638	47,186	4,452
Building maintenance	100,000	100,000	124,702	(24,702)
Equipment maintenance	15,000	15,000	8,086	6,914
Equipment lease	8,000	8,000	7,599	401
Civil defense	500	500	524	(24)
Ordinance Codification	25,000	25,000	12,831	12,169
Miscellaneous	2,000	2,000	3,722	(1,722)
Tax refunds	1,500	1,500	18,092	(16,592)
Interest	1,000	1,000	-	1,000
Total City Clerk and Treasurer	827,544	827,544	864,559	(37,015)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Assessor:				
Assessor salary	\$ 11,500	\$ 11,500	\$ 11,500	-
Clerical	16,640	16,640	15,582	1,058
Overtime	500	500	794	(294)
Payroll taxes	1,371	1,371	181	1,190
Fees and per diem	1,500	1,500	1,200	300
Office supplies	100	100	36	64
Computer expense	6,000	6,000	4,365	1,635
Tax Roll Preparation	15,000	15,000	7,477	7,523
Membership & Dues	200	200	75	125
Meal allowance	100	100	80	20
Advertising	300	300	122	178
Education and training	100	100	-	100
Insurance & Bond	1,009	1,009	742	267
Miscellaneous	100	100	-	100
Total City Assessor	<u>54,420</u>	<u>54,420</u>	<u>42,154</u>	<u>12,266</u>
City Attorney:				
Retainer	22,000	22,000	22,000	-
Labor	25,000	25,000	90,128	(65,128)
Other matters	1,500	1,500	195	1,305
Total City Attorney	<u>48,500</u>	<u>48,500</u>	<u>112,323</u>	<u>(63,823)</u>
Economic Development				
Supervisory	52,249	52,249	52,250	(1)
Clerical	16,640	16,640	15,381	1,934
Payroll taxes	5,511	5,511	4,699	812
Employee life insurance	252	252	205	47
Retirement contribution	22,781	22,781	-	22,781
Sick & Vacation Pay	100	100	-	100
Office supplies	200	200	753	(553)
Operating supplies	500	500	714	(214)
Membership & Dues	150	150	60	90
Telephone	780	780	500	280
Reimburse employee's Blue Cross	1,800	1,800	1,800	-
Education and training	500	500	-	500
Insurance & Bond	989	989	741	248
Miscellaneous	100	100	559	(459)
Total Economic Development	<u>102,552</u>	<u>102,552</u>	<u>77,662</u>	<u>25,565</u>
City Engineer:				
Consulting fees	<u>5,000</u>	<u>5,000</u>	<u>2,935</u>	<u>2,065</u>
TOTAL GENERAL GOVERNMENT	<u>1,601,740</u>	<u>1,601,740</u>	<u>1,650,177</u>	<u>(47,762)</u>
<u>POLICE DEPARTMENT:</u>				
Supervisory	78,978	78,978	76,091	2,887
Lieutenants	329,860	329,860	382,007	(52,147)
Sergeants	373,429	373,429	338,578	34,851
Patrolmen	730,797	730,797	765,748	(34,951)
Dispatch	68,464	68,464	69,199	(735)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>POLICE DEPARTMENT (continued):</u>				
Ordinance officer	\$ 20,539	\$ 20,539	\$ 24,714	\$ (4,175)
Administrative assistant	36,023	36,023	36,023	-
Downriver mutual aid	2,000	2,000	3,906	(1,906)
Mechanic wages	30,000	30,000	40,436	(10,436)
Custodian wages	30,000	30,000	22,681	7,319
Temporary wages	26,775	26,775	25,711	1,064
Shift differential	18,345	18,345	12,441	5,904
Overtime	135,000	135,000	91,800	43,200
Payroll taxes	171,423	171,423	163,087	8,336
Holiday pay premium	55,000	55,000	53,180	1,820
Hospitalization	429,746	429,746	453,162	(23,416)
Employee life insurance	7,308	7,308	5,406	1,902
Longevity pay	15,500	15,500	14,333	1,167
Retirement contribution	303,386	303,386	297,760	5,626
Sick and vacation pay	40,200	40,200	44,112	(3,912)
Office supplies	5,400	5,400	4,275	1,125
Postage	1,000	1,000	1,588	(588)
Dog expenses	7,200	7,200	4,816	2,384
Canine expenses	2,500	2,500	1,921	579
Gas and oil	35,000	35,000	50,995	(15,995)
Operating supplies	6,000	6,000	5,880	120
Photographic supplies	3,500	3,500	743	2,757
Medical expenses	8,000	8,000	7,995	5
Jail expenses	36,000	36,000	33,401	2,599
Computer expense	20,000	20,000	13,008	6,992
Clothing	40,000	40,000	41,671	(1,671)
Custodial supplies	6,000	6,000	5,437	563
Membership dues	1,000	1,000	645	355
Legal fees	5,000	5,000	875	4,125
Telephone	18,000	18,000	25,479	(7,479)
Meal allowance	2,000	2,000	1,021	979
Gun allowance	7,800	7,800	7,200	600
Gun range	7,000	7,000	4,015	2,985
Public relations	2,000	2,000	1,706	294
Reimburse employee's Blue Cross	106,080	106,080	99,368	6,712
Advertising	1,000	1,000	304	696
Education and training	15,000	15,000	7,860	7,140
Insurance and bonds	71,698	71,698	74,678	(2,980)
Insurance claims deductible	500	500	-	500
Utilities	40,982	40,982	35,210	5,772
Building maintenance	15,000	15,000	5,037	9,963
Equipment maintenance	15,000	15,000	23,043	(8,043)
Equipment lease	20,000	20,000	15,355	4,645
Auto maintenance	38,500	38,500	24,344	14,156
Equipment rental	6,000	6,000	1,831	4,169
Mutual aid	4,500	4,500	4,083	417
Miscellaneous	3,000	3,000	2,369	631
Capital outlay	54,000	54,000	44,968	9,032
Interest	1,000	1,000	428	572
TOTAL POLICE DEPARTMENT	3,508,433	3,508,433	3,471,924	36,509

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>FIRE DEPARTMENT</u>				
Chief salary	\$ 56,225	\$ 56,225	\$ 56,225	\$ -
Assistant Chief salary	3,537	3,537	3,608	(71)
Mechanic	5,000	5,000	7,596	(2,596)
Custodian	8,000	8,000	8,095	(95)
Clerical	500	500	-	500
Overtime	60,000	60,000	87,622	(27,622)
Full time employees	268,813	268,813	251,060	17,753
Part time employees	150,000	150,000	109,954	40,046
Payroll taxes	46,072	46,072	43,215	2,857
Holiday pay premium	15,000	15,000	12,525	2,475
Hospitalization	63,400	63,400	71,259	(7,859)
Employee Life Insurance	1,764	1,764	1,488	276
Longevity pay	1,600	1,600	1,400	200
Retirement contribution	48,787	48,787	49,045	(258)
Sick and vacation pay	-	-	(306)	306
Office supplies	2,500	2,500	2,017	483
Operating supplies	15,000	15,000	10,641	4,359
Gas and oil	7,000	7,000	8,081	(1,081)
Operating supplies	4,000	4,000	2,846	1,154
Medical expenses	5,000	5,000	1,030	3,970
Clothing	6,000	6,000	3,194	2,806
Custodial supplies	800	800	676	124
Ambulance billing service	16,000	16,000	19,253	(3,253)
Membership and dues	2,500	2,500	2,657	(157)
Legal fees	5,000	5,000	-	5,000
Telephone	6,500	6,500	6,748	(248)
Meal allowance	400	400	601	(201)
Public relation	1,000	1,000	1,167	(167)
Reimbursement blue cross	22,223	22,223	25,349	(3,126)
Advertising	500	500	349	151
Education and training	9,000	9,000	2,893	6,107
Educational Services	4,000	4,000	3,992	8
Insurance and bond	44,029	44,029	38,405	5,624
Utilities	28,175	28,175	24,883	3,292
Building maintenance	15,000	15,000	3,532	11,468
Equipment maintenance	25,000	25,000	47,294	(22,294)
Equipment lease	6,000	6,000	-	6,000
Mutual aid	2,000	2,000	1,660	340
TOTAL FIRE DEPARTMENT	956,325	956,325	910,054	46,271
<u>BUILDING AND SAFETY:</u>				
Supervisory	56,225	56,225	56,225	-
Ordinance officer	13,693	13,693	10,419	3,274
Mechanic	500	500	267	233
Clerical	53,322	53,322	38,167	15,155
Inspector	32,710	32,710	33,443	(733)
Dangerous building inspector	1,500	1,500	-	1,500
Overtime	200	200	2,033	(1,833)
Overtime Dept. Heads	500	500	-	500
Payroll taxes	13,165	13,165	11,068	2,097

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>BUILDING AND SAFETY (continued):</u>				
Hospitalization	\$ 22,410	\$ 22,410	\$ 17,805	\$ 4,605
Employee life insurance	504	504	363	141
Longevity Pay	300	300	250	50
Retirement contribution	26,792	26,792	26,617	175
Sick and vacation pay	500	500	1,152	(652)
Fee per diem	500	500	50	450
Office supplies	2,000	2,000	1,222	778
Gas and oil	1,200	1,200	1,951	(751)
Operating supplies	3,500	3,500	2,502	998
Computer expense	3,000	3,000	3,703	(703)
Clothing	300	300	-	300
Membership and dues	900	900	965	(65)
Consultant fees	2,000	2,000	282	1,718
Inspections:				
Mechanical	9,775	9,775	5,874	3,901
Electrical	15,300	15,300	10,020	5,280
Plumbing	6,800	6,800	5,358	1,442
Telephone	8,000	8,000	6,999	1,001
Auto expense	1,500	1,500	2,277	(777)
Meal allowance	400	400	186	214
Reimburse employee's Blue Cross	6,410	6,410	3,600	2,810
Advertising	2,000	2,000	-	2,000
Education and training	1,500	1,500	386	1,114
Insurance and bond	6,434	6,434	5,119	1,315
Utilities	5,122	5,122	4,524	598
Miscellaneous	1,000	1,000	211	789
Capital Outlay	3,000	3,000	1,188	1,812
TOTAL BUILDING AND SAFETY	302,962	302,962	254,226	48,736
<u>PUBLIC WORKS:</u>				
Supervisory	87,807	87,807	85,380	2,427
Labor	223,506	223,506	225,075	(1,569)
Mechanic	49,294	49,294	48,571	723
Temporary	37,000	37,000	35,975	1,025
Overtime	20,000	20,000	9,928	10,072
Overtime department heads	4,000	4,000	2,454	1,546
Payroll taxes	36,925	36,925	36,333	592
Hospitalization	276,242	276,242	299,776	(23,534)
Employee life insurance	4,536	4,536	3,873	663
Longevity pay	7,500	7,500	6,527	973
Retirement contribution	113,865	113,865	117,771	(3,906)
Sick and vacation pay	-	-	7,916	(7,916)
Office supplies	2,000	2,000	1,118	882
Gas and oil	30,000	30,000	42,504	(12,504)
Operating supplies	15,000	15,000	11,834	3,166
Medical expenses	3,000	3,000	1,977	1,023
Clothing	12,100	12,100	11,784	316
Custodial supplies	1,500	1,500	1,542	(42)
Brick Pavers War Memorial	180	180	147	33
Membership and dues	500	500	35	465

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>PUBLIC WORKS (continued):</u>				
Consulting fees	\$ 1,000	\$ 1,000	\$ 730	\$ 270
Garbage pick up	309,000	309,000	345,242	(36,242)
Hazardous waste pickup	-	-	22,740	(22,740)
Street lighting	200,000	200,000	169,438	30,562
Tree Removal			-	-
Telephone	9,000	9,000	6,276	2,724
Meal allowance	500	500	300	200
Reimburse employee's Blue Cross	20,352	20,352	26,588	(6,236)
Advertising	500	500	64	436
Education and training	3,000	3,000	854	2,146
Safety training	1,000	1,000	-	1,000
Insurance and bond	40,707	40,707	30,554	10,153
Utilities	23,470	23,470	22,078	1,392
Building maintenance	15,000	15,000	7,116	7,884
Cemetery maintenance	1,500	1,500	1,500	-
Equipment maintenance	55,000	55,000	53,055	1,945
Equipment lease	85,151	85,151	90,820	(5,669)
Park maintenance	15,000	15,000	16,043	(1,043)
Miscellaneous	1,000	1,000	140	860
Capital outlay	20,000	20,000	-	20,000
Interest	6,800	6,800	8,462	(1,662)
TOTAL PUBLIC WORKS	1,732,935	1,732,935	1,752,520	(19,585)
	-	-		
<u>RECREATION AND CULTURE:</u>				
<u>Recreation Committee:</u>				
Consulting fees	10,000	10,000	-	10,000
Park improvement	5,000	5,000	-	5,000
Total Recreation Committee	15,000	15,000	-	15,000
<u>Recreation:</u>				
Supervisory	27,561	27,561	33,492	(5,931)
Contracted Instructors	1,000	1,000	-	(220)
Mechanic	2,500	2,500	944	1,556
Temporary	40,000	40,000	30,609	9,391
Bus transportation	15,000	15,000	16,338	(1,338)
Programmers	50,576	50,576	55,066	(4,490)
Overtime	500	500		500
Payroll taxes	11,484	11,484	10,703	781
Hospitalization	13,088	13,088	15,852	(2,764)
Employee life insurance	504	504	410	94
Longevity pay	300	300	300	-
Retirement contribution	37,243	37,243	27,090	10,153
Sick and vacation pay	500	500	(2,320)	2,820
Office supplies	1,500	1,500	2,292	(792)
Postage	1,500	1,500	1,022	478
Gas and oil	4,000	4,000	4,975	(975)
Operating supplies	1,500	1,500	1,021	479
Playground Equipment	700	700		693
Computer expense	2,500	2,500	2,517	(17)

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Recreation (continued):</u>				
Clothing	\$ 500	\$ 500	\$ -	\$ 500
Membership and dues	1,000	1,000	-	1,000
Consulting fees	500	500	625	(125)
Telephone	7,200	7,200	4,301	2,899
Travel expense	45,000	45,000	39,930	5,070
Adult softball	9,000	9,000	1,281	7,719
Youth baseball	2,000	2,000	607	1,393
Safety town	500	500	902	(402)
Youth programs	15,000	15,000	9,447	5,553
Adult programs	12,000	12,000	6,415	5,585
Concession stand	-	-	389	(389)
MRPA programs	10,000	10,000	6,704	3,296
Meal allowance	400	400	132	268
Public relations	400	400	108	292
Reimburse employee's Blue Cross	6,410	6,410	3,600	2,810
Advertising	4,000	4,000	3,614	386
Education and training	1,500	1,500	-	1,500
Insurance and bond	9,723	9,723	6,629	3,094
Special Studies	-	-	-	-
Equipment maintenance	2,500	2,500	169	2,331
Miscellaneous	2,000	2,000	845	1,155
Arts Council	5,000	5,000	-	5,000
Total Recreation	<u>346,589</u>	<u>346,589</u>	<u>286,009</u>	<u>59,353</u>
<u>Senior Citizens:</u>				
Custodian	-	-	92	(92)
Payroll taxes	-	-	7	(7)
Telephone	1,000	1,000	985	15
Meals on Wheels	3,500	3,500	3,576	(76)
Insurance and bond	1,608	1,608	1,387	221
Utilities	4,000	4,000	5,703	(1,703)
Building maintenance	500	500	319	181
Miscellaneous	100	100	679	(579)
Total Senior Citizens	<u>10,708</u>	<u>10,708</u>	<u>12,748</u>	<u>(2,040)</u>
<u>Youth Center:</u>				
Telephone	500	500	-	500
Insurance and bond	1,342	1,342	1,279	63
Utilities	2,442	2,442	620	1,822
Building maintenance	500	500	758	
Miscellaneous	100	100	-	100
Total Youth Center	<u>4,884</u>	<u>4,884</u>	<u>2,657</u>	<u>2,485</u>
<u>Ball Field, Fountain & Ice Rink:</u>				
Ball field maintenance	42,000	42,000	49,707	(7,707)
Ice rink maintenance	32,000	32,000	28,946	3,054
Payroll taxes	5,920	5,920	5,931	(11)
Ball field material and supplies	20,000	20,000	12,963	7,037
Ice rink material and supplies	5,000	5,000	57,465	(52,465)
Meal allowance	100	100	315	(215)

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Ball Field, Fountain & Ice Rink (continued):</u>				
Insurance and bonds	\$ 2,926	\$ 2,926	\$ 2,522	\$ 404
Ball field utilities	13,000	13,000	10,266	2,734
Ice rink utilities	25,000	25,000	24,182	818
Building rent	237,124	237,124	381,326	(144,202)
Total Ball Field, Fountain & Ice Rink	<u>383,070</u>	<u>383,070</u>	<u>573,623</u>	<u>(190,553)</u>
 TOTAL RECREATION AND CULTURE	 <u>760,251</u>	 <u>760,251</u>	 <u>875,037</u>	 <u>(115,755)</u>
<u>COMMUNITY ENRICHMENT AND DEVELOPMENT</u>				
<u>Planning Commission:</u>				
Clerical	2,000	2,000	265	1,735
Overtime	750	750	344	406
Payroll taxes	220	220	46	174
Fees and per diem	1,500	1,500	1,870	(370)
Special meetings	1,000	1,000	565	435
Office supplies	250	250	447	(197)
Consultant fees	5,000	5,000	9,211	(4,211)
Master plan	2,000	2,000	4,640	(2,640)
Special planning work	2,000	2,000	-	2,000
Advertising	1,500	1,500	135	1,365
Revision of ordinances	20,000	20,000	20,000	-
Education and training	250	250	208	42
Insurance and bond	961	961	240	721
Total Planning Commission	<u>37,431</u>	<u>37,431</u>	<u>37,971</u>	<u>(540)</u>
<u>Zoning Board of Appeals:</u>				
Clerical	2,000	2,000	411	1,589
Overtime	400	400	-	400
Overtime Dept. Heads	200	200	-	200
Payroll taxes	208	208	31	177
Fees and per diem	500	500	645	(145)
Office supplies	100	100	117	(17)
Consultant	500	500	825	(325)
Advertising	2,000	2,000	422	1,578
Education and training	1,000	1,000	-	1,000
Insurance and bond	958	958	742	216
Total Zoning Board of Appeals	<u>7,866</u>	<u>7,866</u>	<u>3,193</u>	<u>4,673</u>
<u>Beautification:</u>				
Clerical	\$ 500	\$ 500	\$ 250	\$ 250
Payroll taxes	40	40	20	20
Fees and per diem	1,200	1,200	1,170	30
Office supplies	100	100	38	62
Public relations	5,000	5,000	4,934	66
Insurance and bond	901	901	700	201
Maintenance fee	2,000	2,000	978	1,022
Pole Decorations	2,000	2,000	610	1,390
Miscellaneous	1,000	1,000	759	241
Total Beautification	<u>12,741</u>	<u>12,741</u>	<u>9,459</u>	<u>3,282</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Cable Commission:</u>				
Fees and per diem	\$ 400	\$ 400	\$ 540	\$ (140)
Insurance and bond	-	-	708	(708)
Equipment maintenance	-	-	335	(335)
Miscellaneous	-	-	36	(36)
Total Cable Commission	<u>400</u>	<u>400</u>	<u>1,619</u>	<u>(1,219)</u>
 TOTAL COMMUNITY ENRICHMENT AND DEVELOPMENT	 <u>58,438</u>	 <u>58,438</u>	 <u>52,242</u>	 <u>6,196</u>
 TOTAL EXPENDITURES	 <u>8,921,084</u>	 <u>8,921,084</u>	 <u>8,966,180</u>	 <u>(45,390)</u>
 EXCESS REVENUES	 <u>275,223</u>	 <u>275,223</u>	 <u>334,938</u>	 <u>59,421</u>
 <u>OTHER FINANCING SOURCES (USES):</u>				
Interfund Transfers				
Special Revenue Funds	200,000	200,000	95,000	(105,000)
Special Revenue Funds	(308,000)	(308,000)	(1,435,000)	(1,127,000)
Debt Service Funds	(142,177)	(142,177)	(148,277)	(6,100)
Capital Project Funds	-	-	(1,000)	(1,000)
Total Interfund Transfers	<u>(250,177)</u>	<u>(250,177)</u>	<u>(1,489,277)</u>	<u>(1,239,100)</u>
 EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES	 25,046	 25,046	 (1,154,339)	 (1,179,679)
 Fund Balance, July 1, 2007	 <u>2,042,390</u>	 <u>2,042,390</u>	 <u>2,042,390</u>	 <u>-</u>
 Fund Balance, June 30, 2008	 <u>\$ 2,067,436</u>	 <u>\$ 2,067,436</u>	 <u>\$ 888,051</u>	 <u>\$ (1,179,679)</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Tax Increment Finance Authority
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Taxes captured	\$ 4,873,767	\$ 4,873,767	\$ 4,766,389	\$ (107,378)
Other	86,500	86,500	20,000	(66,500)
Interest	100,000	100,000	72,445	(27,555)
Total Revenues	5,060,267	5,060,267	4,858,834	(201,433)
EXPENDITURES				
Secretary	1,200	1,200	600	600
Bank charges	1,000	1,000	2,000	(1,000)
Bond expenses	10,000	10,000	-	10,000
Audit	2,000	2,000	2,000	-
Consultant	5,000	5,000	-	5,000
Street lighting	10,000	10,000	8,654	1,346
Maintenace Gateway	11,000	11,000	11,830	(830)
Lansdcaping and signs	-	-	8,708	(8,708)
Engineering fees	-	-	9,000	(9,000)
Legal	7,500	7,500	7,200	300
Advertising	1,000	1,000	92	908
Insurance and bond	1,000	1,000	597	403
Miscellaneous	200	200	-	200
Tax refund	3,899,014	3,899,014	3,813,111	85,903
Total Expenditures	3,948,914	3,948,914	3,863,792	85,122
EXCESS REVENUES	1,111,353	1,111,353	995,042	(116,311)
OTHER FINANCING SOURCES (USES)				
Interfund Transfers:				
Other Funds	-	-	107,663	107,663
Debt Service Funds	(1,103,283)	(1,103,283)	(1,012,534)	90,749
Total Interfund Transfers	(1,103,283)	(1,103,283)	(904,871)	198,412
EXCESS REVENUES AND OTHER USES OVER EXPENDITURES	8,070	8,070	90,171	82,101
Fund Balance, July 1, 2007	186,791	186,791	186,791	-
Fund Balance, June 30, 2008	\$ 194,861	\$ 194,861	\$ 276,962	\$ 82,101

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Downtown Development Authority
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>REVENUES</u>				
Property taxes captured	\$ 544,000	\$ 544,000	\$ 544,093	\$ 93
Interest income	12,000	12,000	40,819	28,819
Other income	200,000	200,000	-	(200,000)
TOTAL REVENUES	<u>756,000</u>	<u>756,000</u>	<u>584,912</u>	<u>(171,088)</u>
<u>EXPENDITURES</u>				
Audit	1,000	1,000	900	100
Consultant	25,000	25,000	22,808	2,192
Construction	1,524,690	1,524,690	86,048	1,438,642
Landscaping	-	-	8,172	(8,172)
Engineering	40,000	40,000	21,873	18,127
Legal	12,000	12,000	10,345	1,655
Advertising	3,500	3,500	2,638	862
Maintenance and utilities	<u>20,000</u>	<u>20,000</u>	<u>3,156</u>	<u>16,844</u>
TOTAL EXPENDITURES	<u>1,626,190</u>	<u>1,626,190</u>	<u>155,940</u>	<u>1,470,250</u>
EXCESS REVENUES	(870,190)	(870,190)	428,972	1,299,162
Fund Balance, July 1, 2007	<u>921,737</u>	<u>921,737</u>	<u>921,737</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 51,547</u>	<u>\$ 51,547</u>	<u>\$ 1,350,709</u>	<u>\$ 1,299,162</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 776,285	\$ 30,152	\$ 211,463	\$ 1,017,900
Accounts receivable	15,609	534	-	16,143
Due from other funds	15,695	-	289,974	305,669
Due from other governmental units	84,433	-	-	84,433
TOTAL ASSETS	\$ 892,022	\$ 30,686	\$ 501,437	\$ 1,424,145
<u>LIABILITIES</u>				
Accounts payable	\$ 52,910	\$ -	\$ -	\$ 52,910
Accrued expenses	46,107	-	-	46,107
Compensated absences, current	6,752	-	-	6,752
Due to other funds	390,102	-	-	390,102
Total Liabilities	495,871	-	-	495,871
<u>FUND BALANCE</u>				
Reserved for debt service	-	30,686	-	30,686
Reserved for capital projects	-	-	501,437	501,437
Unreserved	396,151	-	-	396,151
Total Fund Balances	396,151	30,686	501,437	928,274
TOTAL LIABILITIES AND FUND BALANCES	\$ 892,022	\$ 30,686	\$ 501,437	\$ 1,424,145

The notes to the financial statements are an integral part of this statement.

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>REVENUES</u>				
Property taxes	\$ 581,060	\$ -	\$ -	\$ 581,060
Recreation and culture	1,184,568	-	-	1,184,568
Federal shared revenue	112,566	-	-	112,566
State-shared revenue	453,496	-	-	453,496
Rental income	-	524,655	-	524,655
Special assessments	-	12,735	-	12,735
Other	119,978	126,939	-	246,917
Interest	19,323	2,668	19,896	41,887
Total Revenues	<u>2,470,991</u>	<u>666,997</u>	<u>19,896</u>	<u>3,157,884</u>
<u>EXPENDITURES</u>				
Road maintenance and repair	705,831	-	-	705,831
Recreation and culture	1,520,075	-	-	1,520,075
Community enrichment and development	156,202	-	40,787	196,989
Library	575,417	-	-	575,417
Debt Service:				
Principal	-	1,095,000	-	1,095,000
Interest	-	927,030	-	927,030
Miscellaneous	-	3,704	-	3,704
Total Expenditures	<u>2,957,525</u>	<u>2,025,734</u>	<u>40,787</u>	<u>5,024,046</u>
Excess Expenditures	<u>(486,534)</u>	<u>(1,358,737)</u>	<u>(20,891)</u>	<u>(1,866,162)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	1,529,175	1,275,796	209,700	3,014,671
Operating transfers out	<u>(497,354)</u>	<u>(3,700)</u>	<u>(119,469)</u>	<u>(620,523)</u>
Total Other Financing Sources	<u>1,031,821</u>	<u>1,272,096</u>	<u>90,231</u>	<u>2,394,148</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	545,287	(86,641)	69,340	527,986
FUND BALANCE, JULY 1, 2007	<u>(149,136)</u>	<u>117,327</u>	<u>432,097</u>	<u>400,288</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 396,151</u>	<u>\$ 30,686</u>	<u>\$ 501,437</u>	<u>\$ 928,274</u>

The notes to the financial statements are an integral part of this statement.

Combining Balance Sheet
Non-Major Governmental Funds
Special Revenue Funds
June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Recreation Center Operating Fund	Federal Grant Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Historical District Fund	Concession Stand Fund	Library Fund	Other Funds	Total
<u>ASSETS</u>										
Cash and cash equivalents	\$ 62,861	\$ -	\$ -	\$ 49,689	\$ 6,199	\$ 7,984	\$ 19,024	\$ 599,009	\$ 31,519	\$ 776,285
Accounts receivable	-	-	-	-	-	2,914	-	12,695	-	15,609
Due from other funds	-	-	-	-	15,695	-	-	-	-	15,695
Due from other governmental units	-	-	-	-	-	-	-	-	-	-
	-	-	84,433	-	-	-	-	-	-	84,433
TOTAL ASSETS	\$ 62,861	\$ -	\$ 84,433	\$ 49,689	\$ 21,894	\$ 10,898	\$ 19,024	\$ 611,704	\$ 31,519	\$ 892,022
<u>LIABILITIES</u>										
Accounts payable	\$ 7,860	\$ -	\$ -	\$ 10,657	\$ 20,495	\$ 144	\$ -	\$ 13,754	\$ -	\$ 52,910
Accrued expenses	46,107	-	-	-	-	-	-	-	-	46,107
Compensated absences, current	6,752	-	-	-	-	-	-	-	-	6,752
Due to other funds	-	-	84,433	15,695	-	-	-	289,974	-	390,102
TOTAL LIABILITIES	60,719	-	84,433	26,352	20,495	144	-	303,728	-	495,871
<u>FUND BALANCE</u>	2,142	-	-	23,337	1,399	10,754	19,024	307,976	31,519	396,151
TOTAL LIABILITIES AND FUND BALANCE	\$ 62,861	\$ -	\$ 84,433	\$ 49,689	\$ 21,894	\$ 10,898	\$ 19,024	\$ 611,704	\$ 31,519	\$ 892,022

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenue, Expenditures,
and Changes in Fund Balance
Special Revenue Funds
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Recreation Center Operating Fund	Federal Grant Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Historical District Fund	Concession Stand Fund	Library Fund	Other Funds	Total
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,234	\$ -	\$ 464,826	\$ -	\$ 581,060
Recreation and culture	1,184,568	-	-	-	-	-	-	-	-	1,184,568
Federal shared revenue	-	34,323	78,243	-	-	-	-	-	-	112,566
State shared revenue	-	-	-	313,920	131,007	-	-	8,569	-	453,496
Other	-	-	-	-	-	4	6,775	88,605	24,594	119,978
Interest	1,395	252	-	3,192	515	209	417	12,208	1,135	19,323
Total Revenues	<u>1,185,963</u>	<u>34,575</u>	<u>78,243</u>	<u>317,112</u>	<u>131,522</u>	<u>116,447</u>	<u>7,192</u>	<u>574,208</u>	<u>25,729</u>	<u>2,470,991</u>
EXPENDITURES										
Road maintenance and repair	-	-	-	243,392	462,439	-	-	-	-	705,831
Recreation and culture	1,520,075	-	-	-	-	-	-	-	-	1,520,075
Community enrichment and development	-	34,990	78,243	-	-	11,295	6,692	-	24,982	156,202
Library	-	-	-	-	-	-	-	575,417	-	575,417
Total Expenditures	<u>1,520,075</u>	<u>34,990</u>	<u>78,243</u>	<u>243,392</u>	<u>462,439</u>	<u>11,295</u>	<u>6,692</u>	<u>575,417</u>	<u>24,982</u>	<u>2,957,525</u>
Excess Revenues (Expenditures)	<u>(334,112)</u>	<u>(415)</u>	<u>-</u>	<u>73,720</u>	<u>(330,917)</u>	<u>105,152</u>	<u>500</u>	<u>(1,209)</u>	<u>747</u>	<u>(486,534)</u>
OTHER FINANCING SOURCES (USES)										
Operating transfers in	890,000	-	-	145,000	494,175	-	-	-	-	1,529,175
Operating transfers out	-	-	-	(239,175)	(163,179)	(95,000)	-	-	-	(497,354)
Total Other Financing Sources (Uses)	<u>890,000</u>	<u>-</u>	<u>-</u>	<u>(94,175)</u>	<u>330,996</u>	<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,031,821</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	555,888	(415)	-	(20,455)	79	10,152	500	(1,209)	747	545,287
FUND BALANCE, July 1, 2007	<u>(553,746)</u>	<u>415</u>	<u>-</u>	<u>43,792</u>	<u>1,320</u>	<u>602</u>	<u>18,524</u>	<u>309,185</u>	<u>30,772</u>	<u>(149,136)</u>
FUND BALANCE, June 30, 2008	<u>\$ 2,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,337</u>	<u>\$ 1,399</u>	<u>\$ 10,754</u>	<u>\$ 19,024</u>	<u>\$ 307,976</u>	<u>\$ 31,519</u>	<u>\$ 396,151</u>

The notes to the financial statements and an integral part of this statement.

Combining Balance Sheet
Non-Major Governmental Funds
Debt Service Funds
June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Aspen Drive Debt Service Fund	Building Authority Debt Service Fund	Transport- ation Bond General Obligation	Building Authority Ballfield Debt Service Fund	Huron Woods Series A Retirement Fund	Huron Woods Series B Retirement Fund	Special Assessment Sidewalk Fund	TIFA Debt Service Fund	Total
<u>ASSETS</u>									
Cash and cash equivalents	\$ 320	\$ 438	\$ 134	\$ 525	\$ 13,774	\$ 4,288	\$ 9,735	\$ 938	\$ 30,152
Accounts receivable	-	-	-	-	-	-	534	-	534
TOTAL ASSETS	<u>\$ 320</u>	<u>\$ 438</u>	<u>\$ 134</u>	<u>\$ 525</u>	<u>\$ 13,774</u>	<u>\$ 4,288</u>	<u>\$ 10,269</u>	<u>\$ 938</u>	<u>\$ 30,686</u>
 <u>FUND BALANCE</u>	 <u>320</u>	 <u>438</u>	 <u>134</u>	 <u>525</u>	 <u>13,774</u>	 <u>4,288</u>	 <u>10,269</u>	 <u>938</u>	 <u>30,686</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 320</u>	 <u>\$ 438</u>	 <u>\$ 134</u>	 <u>\$ 525</u>	 <u>\$ 13,774</u>	 <u>\$ 4,288</u>	 <u>\$ 10,269</u>	 <u>\$ 938</u>	 <u>\$ 30,686</u>

Combining Statement of Revenue, Expenditures,
and Changes in Fund Balance
Debt Service Funds
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	Aspen Drive Debt Service Fund	Building Authority Debt Service Fund	Transport- ation Bond General Obligation	Building Authority Ballfield Debt Service Fund	Huron Woods Series A Retirement Fund	Huron Woods Series B Retirement Fund	Special Assessment Sidewalk Fund	TIFA Debt Service Fund	Total
REVENUES									
Rental income	\$ -	\$ 143,329	\$ -	\$ 381,326	\$ -	\$ -	\$ -	\$ -	\$ 524,655
Special assessments	-	-	-	-	-	-	12,735	-	12,735
Other	-	-	-	35,842	-	-	-	91,097	126,939
Interest and other	95	210	4	281	800	279	308	691	2,668
Total Revenues	95	143,539	4	417,449	800	279	13,043	91,788	666,997
EXPENDITURES									
Debt Service									
Principal	170,000	105,000	25,000	235,000	55,000	20,000	-	485,000	1,095,000
Interest	57,059	50,345	2,012	186,899	8,578	3,855	-	618,282	927,030
Miscellaneous	150	225	-	1,538	275	275	-	1,241	3,704
Total Expenditures	227,209	155,570	27,012	423,437	63,853	24,130	-	1,104,523	2,025,734
Excess Revenues (Expenditures)	(227,114)	(12,031)	(27,008)	(5,988)	(63,053)	(23,851)	13,043	(1,012,735)	(1,358,737)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	224,419	11,806	27,037	-	-	-	-	1,012,534	1,275,796
Operating transfers out	-	-	-	-	-	-	(3,700)	-	(3,700)
Total Other Financing Sources (Uses)	224,419	11,806	27,037	-	-	-	(3,700)	1,012,534	1,272,096
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,695)	(225)	29	(5,988)	(63,053)	(23,851)	9,343	(201)	(86,641)
FUND BALANCE, July 1, 2007	3,015	663	105	6,513	76,827	28,139	926	1,139	117,327
FUND BALANCE, June 30, 2008	\$ 320	\$ 438	\$ 134	\$ 525	\$ 13,774	\$ 4,288	\$ 10,269	\$ 938	\$ 30,686

The notes to the financial statements and an integral part of this statement.

	Playscape Fund	Building Authority	Sidewalk Fund	Recreation Center Fund	Road Improvement Fund	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,235	-	985	\$ -	\$ 209,243	\$ 211,463
Due from other funds		289,974		-	-	289,974
TOTAL ASSETS	1,235	289,974	985	-	209,243	501,437
<u>LIABILITIES</u>						
Accounts payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
<u>FUND BALANCE</u>	1,235	289,974	985	-	209,243	501,437
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,235	\$ 289,974	\$ 985	\$ -	\$ 209,243	\$ 501,437

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Capital Project Funds
For the Year Ended June 30, 2008

CITY OF FLAT ROCK, MICHIGAN

	<u>Playscape Fund</u>	<u>Building Authority</u>	<u>Sidewalk Fund</u>	<u>Recreation Center Fund</u>	<u>Road Improvement Fund</u>	<u>Total</u>
<u>REVENUES</u>						
Interest	\$ 44	\$ 11,782	\$ 36	\$ 3,791	\$ 4,243	\$ 19,896
Total Revenues	<u>44</u>	<u>11,782</u>	<u>36</u>	<u>3,791</u>	<u>4,243</u>	<u>19,896</u>
<u>EXPENDITURES</u>						
Community enrichment and development	<u>45</u>	<u>-</u>	<u>5,117</u>	<u>35,625</u>	<u>-</u>	<u>40,787</u>
Total Expenditures	<u>45</u>	<u>-</u>	<u>5,117</u>	<u>35,625</u>	<u>-</u>	<u>40,787</u>
Excess Revenues (Expenditures)	<u>(1)</u>	<u>11,782</u>	<u>(5,081)</u>	<u>(31,834)</u>	<u>4,243</u>	<u>(20,891)</u>
<u>OTHER FINANCING SOURCES</u>						
Operating transfers in	-	-	4,700	-	205,000	209,700
Operating transfers out	<u>-</u>	<u>(11,806)</u>	<u>-</u>	<u>(107,663)</u>	<u>-</u>	<u>(119,469)</u>
Total Other Financing Sources	<u>-</u>	<u>(11,806)</u>	<u>4,700</u>	<u>(107,663)</u>	<u>205,000</u>	<u>90,231</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1)	(24)	(381)	(139,497)	209,243	69,340
<u>FUND BALANCE, July 1, 2007</u>	<u>1,236</u>	<u>289,998</u>	<u>1,366</u>	<u>139,497</u>	<u>-</u>	<u>432,097</u>
<u>FUND BALANCE, June 30, 2008</u>	<u>\$ 1,235</u>	<u>\$ 289,974</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ 209,243</u>	<u>\$ 501,437</u>

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

GENERAL OBLIGATION BONDS PAYABLE

2000 Special Assessment (LTGO) Bonds, Series B
Dated March 1, 2000
Amount of Bond - \$170,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$1,545	\$ 775	\$2,320	\$20,000	\$22,320
09-10	<u>775</u>	<u>-</u>	<u>775</u>	<u>20,000</u>	<u>20,775</u>
	<u>\$2,320</u>	<u>\$ 775</u>	<u>\$3,095</u>	<u>\$40,000</u>	<u>\$43,095</u>

1993 Michigan Transportation Fund Bonds
Dated August 1, 1993
Amount of Bond - \$260,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ <u>675</u>	\$ <u>-</u>	\$ <u>675</u>	\$25,000	\$25,675
	<u>\$ 675</u>	<u>\$ -</u>	<u>\$ 675</u>	<u>\$25,000</u>	<u>\$25,675</u>

2000 Special Assessment (LTGO) Bonds, Series A
Dated March 1, 2000
Amount of Bond - \$505,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 3,534	\$1,852	\$ 5,386	\$ 60,000	\$ 65,386
09-10	<u>1,852</u>	<u>-</u>	<u>1,852</u>	<u>65,000</u>	<u>66,852</u>
	<u>\$ 5,386</u>	<u>\$1,852</u>	<u>\$ 7,238</u>	<u>\$125,000</u>	<u>\$132,238</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2008

1997 Michigan Transportation Fund Bonds
Dated August 1, 1997
Amount of Bond - \$800,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 8,643	\$ 7,127	\$15,770	\$ 60,000	\$ 75,770
09-10	7,127	5,503	12,630	65,000	77,630
10-11	5,503	3,735	9,238	70,000	79,238
11-12	3,735	1,950	5,685	70,000	75,685
12-13	<u>1,950</u>	<u>-</u>	<u>1,950</u>	<u>75,000</u>	<u>76,950</u>
	<u>\$26,958</u>	<u>\$18,315</u>	<u>\$45,273</u>	<u>\$340,000</u>	<u>\$385,273</u>

City of Flat Rock, County of Wayne, State
of Michigan, Certificates of Participation,
Series 1997 (City of Flat Rock Installment
Purchase)
Dated May 8, 1998
Amount of Bond - \$1,500,000
Principal Due September 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$14,674	\$11,154	\$25,828	\$115,000	\$140,828
09-10	11,339	7,611	18,950	125,000	143,950
10-11	7,737	3,937	11,674	135,000	146,674
11-12	4,002	-	4,002	140,000	144,002
12-13	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$37,752</u>	<u>\$22,702</u>	<u>\$60,454</u>	<u>\$665,000</u>	<u>\$725,454</u>

See accountant's report

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2008

Building Authority Bond Series 2004
Authority Refunding Bond
Dated January 2004
Amount of Bond - \$1,720,000
Principal Due September 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 24,516	\$ 23,021	\$ 47,537	\$ 115,000	\$ 162,537
09-10	23,021	21,354	44,375	115,000	159,375
10-11	21,354	19,571	40,925	115,000	155,925
11-12	19,571	17,446	37,017	125,000	162,017
12-13	17,446	15,074	32,520	130,000	162,520
13-14	15,074	12,571	27,645	130,000	157,645
14-15	12,571	9,736	22,307	140,000	162,307
15-16	9,736	6,691	16,427	145,000	161,427
16-17	6,691	3,410	10,101	150,000	160,101
17-18	<u>3,410</u>	<u>-</u>	<u>3,410</u>	<u>155,000</u>	<u>158,410</u>
	<u>\$153,390</u>	<u>\$128,874</u>	<u>\$282,264</u>	<u>\$1,320,000</u>	<u>\$1,602,264</u>

Building Authority Bond Series 2000
Dated September 1, 2000
Amount of Bond - \$5,000,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$17,369	\$12,040	\$29,409	\$205,000	\$234,409
09-10	12,039	6,190	18,229	220,000	238,229
10-11	<u>6,189</u>	<u>-</u>	<u>6,189</u>	<u>230,000</u>	<u>236,189</u>
	<u>\$35,597</u>	<u>\$18,230</u>	<u>\$53,827</u>	<u>\$655,000</u>	<u>\$708,827</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2008

Building Authority Refunding Bond Series 2006
Dated September 6, 2006
Amount of Bond - \$3,415,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 73,203	\$ 72,703	\$ 145,906	\$ 25,000	\$ 170,906
09-10	72,703	72,103	144,806	30,000	174,806
10-11	72,103	71,503	143,606	30,000	173,606
11-12	71,503	66,003	137,506	275,000	412,506
12-13	66,003	60,403	126,406	280,000	406,406
13-14	60,403	54,282	114,685	295,000	409,685
14-15	54,282	47,801	102,083	305,000	407,083
15-16	47,801	40,921	88,722	320,000	408,722
16-17	40,921	33,593	74,514	335,000	409,514
17-18	33,593	25,830	59,423	345,000	404,423
18-19	25,830	17,730	43,560	360,000	403,560
19-20	17,730	9,085	26,815	380,000	406,815
20-21	<u>9085</u>	<u>-</u>	<u>9,085</u>	<u>395,000</u>	<u>404,085</u>
	<u>\$645,160</u>	<u>\$571,957</u>	<u>\$1,217,117</u>	<u>\$3,375,000</u>	<u>\$4,592,116</u>

City of Flat Rock Tax Increment Finance Authority
2005 Limited Tax Development Bonds
Dated March 1, 2005
Amount of Bond - \$1,750,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 47,056	\$ 45,578	\$ 92,634	\$ 55,000	\$ 147,634
09-10	45,578	43,966	89,544	60,000	149,544
10-11	43,965	42,219	86,184	65,000	151,184
11-12	42,219	40,472	82,691	65,000	147,691
12-13	40,472	38,591	79,063	70,000	149,063
13-14	38,591	36,575	75,166	75,000	150,166
14-15	36,575	34,513	71,088	75,000	146,088
15-16	34,512	32,313	66,825	80,000	146,825
16-17	32,312	29,816	62,128	85,000	147,128
17-18	29,816	27,172	56,988	90,000	146,988
18-19	27,172	24,381	51,553	95,000	146,553
19-20	24,381	21,444	45,825	100,000	145,825
20-21	21,444	18,359	39,803	105,000	144,803
21-22	18,359	15,128	33,487	110,000	143,487
22-23	15,128	11,603	26,731	120,000	146,731
23-24	11,603	7,931	19,534	125,000	144,534
24-25	7,931	4,113	12,044	130,000	142,044
25-26	<u>4,113</u>	<u>-</u>	<u>4,113</u>	<u>140,000</u>	<u>144,113</u>
	<u>\$521,227</u>	<u>\$474,174</u>	<u>\$ 995,401</u>	<u>\$1,645,000</u>	<u>\$2,640,401</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2008

City of Flat Rock Tax Increment Finance Authority
Limited Tax Development Bonds Series 2006A (Taxable Obligation)
Dated August 3, 2006
Amount of Bond - \$4,270,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 141,435	\$ 136,185	\$ 277,620	\$ 150,000	\$ 427,620
09-10	136,185	130,585	266,770	160,000	426,770
10-11	130,585	124,848	255,433	170,000	425,433
11-12	124,848	118,772	243,620	180,000	423,620
12-13	118,772	112,191	230,963	195,000	425,963
13-14	112,191	105,104	217,295	210,000	427,295
14-15	105,104	97,678	202,782	220,000	422,782
15-16	97,678	89,748	187,426	235,000	422,426
16-17	89,748	81,141	170,889	255,000	425,889
17-18	81,141	71,759	152,900	270,000	422,900
18-19	71,759	61,681	133,440	290,000	423,440
19-20	61,681	50,909	112,590	310,000	422,590
20-21	50,909	39,441	90,350	330,000	420,350
21-22	39,441	27,105	66,546	355,000	421,546
22-23	27,105	14,074	41,179	375,000	416,179
23-24	<u>14,074</u>	<u>-</u>	<u>14,074</u>	<u>405,000</u>	<u>419,074</u>
	<u>\$1,402,656</u>	<u>\$1,261,221</u>	<u>\$2,663,877</u>	<u>\$4,110,000</u>	<u>\$6,773,877</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2008

City of Flat Rock Tax Increment Finance Authority
Limited Tax Development Bonds Series 2006B (Tax Exempt Obligation)
Dated August 3, 2006
Amount of Bond - \$5,675,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 114,561	\$ 108,861	\$ 223,422	\$ 285,000	\$ 508,422
09-10	108,861	103,061	211,922	290,000	501,922
10-11	103,061	97,261	200,322	290,000	490,322
11-12	97,261	91,073	188,334	300,000	488,334
12-13	91,073	84,886	175,959	300,000	475,959
13-14	84,886	78,404	163,290	305,000	468,290
14-15	78,404	71,817	150,221	310,000	460,221
15-16	71,817	64,926	136,743	315,000	451,743
16-17	64,926	57,726	122,652	320,000	442,652
17-18	57,726	50,301	108,027	330,000	438,027
18-19	50,301	42,764	93,065	335,000	428,065
19-20	42,764	34,786	77,550	345,000	422,550
20-21	34,786	26,576	61,362	355,000	416,362
21-22	26,576	18,026	44,602	360,000	404,602
22-23	18,026	9,120	27,146	375,000	402,146
23-24	<u>9,120</u>	<u>-</u>	<u>9,120</u>	<u>380,000</u>	<u>389,120</u>
	<u>\$1,054,149</u>	<u>\$,939,588</u>	<u>\$1,993,737</u>	<u>\$5,195,000</u>	<u>\$7,188,737</u>

See accountant's report.

Equipment Loans – General Obligation
June 30, 2008

EQUIPMENT LOANS - GENERAL OBLIGATION

Equipment Loan
Dated: July 20, 2004
Amount of Lease - \$69,140
Principal Due: July 20

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	<u>\$1,149</u>	<u>\$1,149</u>	<u>\$18,850</u>	<u>\$19,999</u>
	<u>\$1,149</u>	<u>\$1,149</u>	<u>\$18,850</u>	<u>\$19,999</u>

Equipment Loan
Dated September 26, 2006
Amount of Loan - \$40,375
Principal Due: October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$1,909	\$1,909	\$ 7,618	\$ 9,527
09-10	1,471	1,471	8,056	9,527
10-11	1,008	1,008	8,519	9,527
11-12	<u>518</u>	<u>518</u>	<u>9,009</u>	<u>9,527</u>
	<u>\$4,906</u>	<u>\$4,906</u>	<u>\$33,202</u>	<u>\$38,108</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer Fund – General Obligation Bonds
June 30, 2008

Wayne County - Flat Rock
Dated July 1, 1970
Amount Issued - \$4,020,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$24,000	\$24,000	\$200,000	\$224,000
09-10	<u>12,000</u>	<u>12,000</u>	<u>200,000</u>	<u>212,000</u>
	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$400,000</u>	<u>\$436,000</u>

Refunding bonds issued on May 24, 1994, to refund Wayne County Sewage Disposal System Bonds (*Prior Bonds*) dated July 1, 1970. The County issued \$2,295,441 aggregate principal amount of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds dated May 24, 1994, to advance refund a portion of the outstanding Prior Bonds; namely, all those maturing on October 1 in the years 1994 through 2007, in the aggregate principal amount of \$2,175,000, but not those maturing on October 1 in the years 2009 and 2010 in the aggregate principal amount of \$400,000 (the *Nonrefundable Bonds*) which shall remain outstanding in accordance with their terms.

South Huron Valley Utility Authority
Substitution Bonds, 1991 Series (Limited Tax General Obligation)
Dated October 1, 1991
Amount Issued - \$1,901,130
Flat Rock Share 14.87% of \$12,785,000
Principal Due April 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 3,658	\$ 3,658	\$ 7,316	\$119,704	\$127,020
09-10	2,461	2,461	4,922	121,934	126,856
10-11	<u>1,242</u>	<u>1,242</u>	<u>2,484</u>	<u>124,164</u>	<u>126,648</u>
	<u>\$ 7,361</u>	<u>\$ 7,361</u>	<u>\$14,722</u>	<u>\$365,802</u>	<u>\$380,524</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
June 30, 2008

South Huron Valley Utility Authority
Sewer System Plant Acquisition Bonds
Dated September 29, 1998
Amount Issued - \$3,271,516 Flat Rock Share of \$26,615,000

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 25,413	\$ 23,705	\$ 49,118	\$ 151,806	\$ 200,924
09-10	23,705	21,963	45,668	154,879	200,547
10-11	21,963	20,179	42,142	158,567	200,709
11-12	20,179	18,353	38,532	162,254	200,786
12-13	18,353	16,487	34,840	165,942	200,782
13-14	16,487	14,585	31,072	169,015	200,087
14-15	14,585	12,642	27,227	172,702	199,929
15-16	12,642	10,651	23,293	177,005	200,298
16-17	10,651	8,618	19,269	180,692	199,961
17-18	8,618	6,537	15,155	184,995	200,150
18-19	6,537	4,407	10,944	189,297	200,241
19-20	4,407	2,229	6,636	193,599	200,235
20-21	<u>2,229</u>	<u>-</u>	<u>2,229</u>	<u>198,164</u>	<u>200,393</u>
	<u>\$185,769</u>	<u>\$160,356</u>	<u>\$346,125</u>	<u>\$2,258,917</u>	<u>\$2,605,042</u>

South Huron Valley Utility Authority
2004 Sewer System Plant Expansion
Amount Issued - \$2,352,760 Flat Rock Share of \$9,220,000

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
08-09	\$ 22,951	\$ 22,951	\$ 45,902	\$ 99,520	\$ 145,422
09-10	21,893	21,893	43,786	102,072	145,858
10-11	20,809	20,809	41,618	103,348	144,966
11-12	19,711	19,711	39,422	105,900	145,322
12-13	18,587	18,587	37,174	108,451	145,625
13-14	17,434	17,434	34,868	111,003	145,871
14-15	16,254	16,254	32,508	113,555	146,063
15-16	15,048	15,048	30,096	116,107	146,203
16-17	13,814	13,814	27,628	117,383	145,011
17-18	12,567	12,567	25,134	119,935	145,069
18-19	11,293	11,293	22,586	122,486	145,072
19-20	9,994	9,994	19,988	126,314	146,302
20-21	8,649	8,649	17,298	128,866	146,164
21-22	7,280	7,280	14,560	131,418	145,978
22-23	5,883	5,883	11,766	133,970	145,736
23-24	4,460	4,460	8,920	136,521	145,441
24-25	3,010	3,010	6,020	140,349	146,369
25-26	<u>1,518</u>	<u>1,518</u>	<u>3,036</u>	<u>142,901</u>	<u>145,937</u>
	<u>\$231,155</u>	<u>\$231,155</u>	<u>\$462,310</u>	<u>\$2,160,099</u>	<u>\$2,622,409</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

FISCAL YEAR	GENERAL FUND	MUNICIPAL BUILDING FUND	LIBRARY FUND	SEWER DEBT	HISTORICAL DISTRICT	TOTAL MILLAGE
1985	11.08	2.07	0.00	3.60	0.00	16.75
1986	11.50	2.25	0.00	4.00	0.00	17.75
1987	11.50	2.25	0.00	4.00	0.00	17.75
1988	11.50	2.20	0.00	4.05	0.00	17.75
1989	15.50	2.25	0.00	0.00	0.00	17.75
1990	15.50	1.75	0.00	0.00	0.00	17.25
1991	15.25	1.65	0.00	0.00	0.00	16.90
1992	14.48	2.10	0.00	0.00	0.00	16.58
1993	14.30	2.00	0.00	0.00	0.00	16.30
1994	13.14	0.00	0.00	2.86	0.00	16.00
1995	13.14	0.00	0.00	2.86	0.00	16.00
1996	13.15	0.00	1.00	2.85	0.00	17.00
1997	13.15	0.00	1.00	2.85	0.00	17.00
1998	13.15	0.00	1.00	2.85	0.00	17.00
1999	13.15	0.00	1.00	2.85	0.00	17.00
2000	13.15	0.00	1.00	2.85	0.00	17.00
2001	16.00	0.00	1.00	0.00	0.00	17.00
2002	16.00	0.00	1.00	0.00	0.25	17.25
2003	16.00	0.00	1.00	0.00	0.25	17.25
2004	16.00	0.00	1.00	0.00	0.25	17.25
2005	16.00	0.00	1.00	0.00	0.25	17.25
2006	16.00	0.00	1.00	0.00	0.25	17.25
2007	16.00	0.00	1.00	0.00	0.25	17.25
2008	16.00	0.00	1.00	0.00	0.25	17.25

CITY OF FLAT ROCK, MICHIGAN

FISCAL YEAR	RESIDENTIAL RATE	NON-RESIDENTIAL RATE
1985	3.80	3.80
1986	4.29	4.29
1987	4.29	4.29
1988	4.29	4.29
1989	4.29	4.29
1990	4.01	4.01
1991	4.01	4.01
1992	4.01	4.01
1993	4.01	4.01
1994	4.00	4.00
1995	4.00	4.00
1996	4.00	4.00
1997	4.00	4.00
1998	4.00	4.50
1999	4.00	4.50
2000	4.00	4.50
2001	3.60	4.25
2002	4.00	4.50
2003	4.00	4.50
2004	4.00	4.50
2005	4.00	4.50
2006	4.50	5.00
2007	4.50	5.00
2008	4.50	5.00

Jocks & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

3630 West Road
Trenton, MI 48183

Phone 734/675-0266
Fax 734/675-3359

December 11, 2008

To the Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan
25500 Gibraltar Road
Flat Rock, Michigan 48134

Dear Honorable Mayor and Members of the City Council:

During the course of our audit of the City of Flat Rock's General Purpose Financial Statements for the year ended June 30, 2008, we developed a list of comments and recommendations. They are as follows:

GENERAL FUND

General Fund expenditures were \$1,154,339 greater than revenues. This excess decreased fund balance in the General Fund to \$888,051 as of June 30, 2008. The excess expenditures were due to the operating transfer of funds to the Recreation Center Operating Fund of \$890,000.

Actual General Fund revenues of \$9,301,118 exceeded budgeted revenues by \$104,811. Budgeted General Fund expenditures of \$9,844,413 were greater than actual expenditures by \$640,202.

Favorable Revenue Budget variances occurred in General Government, Police, Public Works, Recreation and Culture, Community Enrichment and Development. Unfavorable Revenue budget variances occurred in Fire, Building and Safety and State Shared Revenues.

Favorable expenditure budget variances occurred in the Judicial, City Assessor, Economic Development, City Engineer, Police, Fire, Building and Safety, Recreation, Youth Center, Zoning Board of Appeals and Beautification.

Unfavorable expenditure budget variances occurred in the Elections, City Clerk and Treasurer, City Attorney, Public Works, Senior Citizens, Ball Field, Fountain & Ice Rink, Planning, and Cable Commission Departments.

SPECIAL REVENUE FUNDS

Major Street Fund expenditures exceeded revenues by \$20,455 decreasing Fund Balance to \$23,337. Local Street revenues exceeded expenditure by \$79 increasing Fund Balance to \$1,399.

The Recreation Center Operating Fund revenues exceeded expenditures by \$555,888 increasing Fund Balance to \$2,142.

BLENDED COMPONENT UNITS

As described in Note 1 of the Annual Report, the Assets, Liabilities, Revenues and Expenditures for the Tax Increment Finance Authority (TIFA), Downtown Development Authority (DDA) and Building Authority (BA) have been included in the City's Basic Financial Statements.

ENTERPRISE FUND

The Water and Sewer Enterprise Fund reported an increase in net assets of \$367,529. The net assets of the Water and Sewer Fund as of June 30, 2008 was \$7,867,469.

We will be happy to assist the City in implementing any recommendations contained in this letter. If you have any questions regarding the comments and recommendations outlined in this letter or any other questions, please do not hesitate to ask during our presentation, or contact our office.

Very truly yours,

A handwritten signature in black ink that reads "Jocks & Associates, PC". The signature is written in a cursive, flowing style.

JOCKS & ASSOCIATES, PC
Certified Public Accountants



3630 West Road
Trenton, MI 48183

CERTIFIED PUBLIC ACCOUNTANTS

Phone 734/675-0266
Fax 734/675-3359

**REPORT ON COMPLIANCE OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City of Flat Rock's basic financial statements and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Flat Rock's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation on a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all of the deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Flat Rock's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jocks & Associates, PC". The script is cursive and fluid, with the letters "J" and "A" being particularly prominent.

JOCKS & ASSOCIATES, PC
Certified Public Accountants

December 11, 2008